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Consumer Behaviour in the Valuation of Residential Property: A Comparative Study in the United Kingdom, Ireland and Australia

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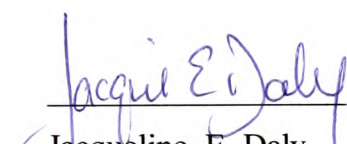
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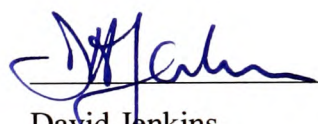


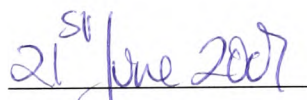
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Abstract

Following the house price collapse of the late 1980s there was considerable criticism of the valuation methods used by residential valuers. Essentially, valuers had failed to adequately assess the risk attached to residential property, which had negative consequences for the consumer. Critically, for the purpose of this research the valuation methods employed by valuers had not taken account of buyer behaviour in the valuation process, which led to inaccurate valuations. The theoretical foundation of this contention stems from previous research, which established that buyers and valuers perceive differently the relative importance of value influencing factors.

Consequently, the current research begins with an extensive presentation of the literature and a full critical re-examination of this branch of knowledge. Subsequently the thesis investigates the actual valuation methods used by valuers to determine whether they account for buyer behaviour accurately. The study is undertaken on a cross-national comparative basis in the United Kingdom, Ireland and Australia and is pursued on a qualitative basis. It includes face-to-face interviews with both buyers and valuers in the three countries to investigate buyer preferences and the extent to which these impact the valuation process.

Overall, the research concludes that valuers in the three countries believe that buyer behaviour is an important part of the valuation process but it is clearly evident from the research that valuers simply do not consider buyer preferences. In particular, the behavioural inputs identified in the study concern costs-in-use and economic sustainability. However, in effect, valuers have reduced the valuation task to a confirmation of bid price and because of lender pressure, which occurs world-wide, valuers overlook the economic sustainability of the property asset, which has severe implications for housing markets and national economies that interact with these markets.

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Abbreviations

ABS	Australian Bureau of Statistics
AIREA	American Institute of Real Estate Appraisers
API	Australia Property Institute
AUS	Australia
BrE	British English
DCC	Direct Capital Comparison
DNR	Department of Natural Resources (Australia)
DoE	Department of the Environment and Local Government (IRL)
HMLR	Her Majesty's Land Registry
GN	Guidance Note
IAVI	Incorporated Auctioneers and Valuers Institute (IRL)
IPAV	Institute of Professional Auctioneers and Valuers (IRL)
IRL	Ireland
M.E.O.E	Microsoft® Encarta® Online Encyclopedia
MMC	Monopolies and Mergers Commission
OMV	Open Market Value
PS	Practice Statement
REIA	Real Estate Institute of Australia
RICS	Royal Institution of Chartered Surveyors
RP	Registered Plan
UK	United Kingdom
US	United States

1. INTRODUCTION

During the late 1980s and early 1990s, housing markets in the United Kingdom experienced dramatic and unpredicted rises and falls in asset values. Consequent social and economic problems evidenced by negative equity, repossessions and personal bankruptcy fuelled renewed academic, professional and political interest in the relationship between housing markets and the economy generally (Jenkins, 2000:xi¹).

The practice of professional valuers^a was identified as a contributory factor in the house price collapse of the late eighties. In the aftermath of the late 1980's boom and bust, some thirty per cent of all cases listed in the Official Referees Court were for alleged negligence against valuers (Mason and Rice, 1996²). The valuation methods used by valuers employed by mortgage lenders had failed to assess adequately the risk involved in what, for most people, is the largest financial investment of their lives. Following criticisms of practice, revisions were made to professional guidance for valuers in the Royal Institution of Chartered Surveyors' (RICS) Appraisal and Valuation Manual (RICS, 1995³).

However, such activity has not addressed the key problems associated with residential appraisal in the UK (Almond, et al. 1997⁴). The reviews undertaken by the RICS were inspired by commercial needs and did not raise questions regarding the social role of valuers who had consistently approved bid prices as market evidence of adequate security for loans, as markets soared and then collapsed. Fundamentally the valuation methods for residential property have gone unchanged, since the property crash of the early 1990s. The weaknesses documented by British and US academics still remain.

Critically for the purpose of this dissertation, there is an unhelpful emphasis on supply-related variables in UK real estate appraisal literature and professional guidance and practice, although clearly price is determined by both supply and demand. It is possible to analyse transactions using supply-side attributes – indeed this is the predominant practice, though clearly not very wise. Some academic studies have utilised both supply

^a Within this thesis the words valuer and appraiser, and valuation and appraisal are used interchangeably.

and demand variables (Lewis et al. 1999⁵), but demand has then been identified using socio-economic aggregates rather than identifying the influences recognised by consumers. Adair (1992⁶) suggests that awareness should be given to the factors that influence the buyers' decision-making process. It is on this basis that the research largely originates. Although the importance of the characteristics of demand have not gone unnoticed at an international level (Mackmin, 1994⁷; Millington, 1994⁸; Waxman and Lenard, 1994⁹), there is still no prescribed (or understood) set of data available to the residential valuer to identify and evaluate consumer-driven factors.

The current research concerns the consumers of residential property, in terms of their own perceptions of property. In the case of housing, although the factors used in determining value are known, awareness of how and why the consuming public reacts to these factors is unclear. Greaves (1984¹⁰) noted this in the early eighties but Gibler and Nelson (1998¹¹) confirm that real estate professionals have not advanced their understanding of the factors involved.

Building on research undertaken in Belfast which established that buyers and valuers perceive differently the relative importance of value-influencing factors (Adair, et al. 1996a¹²), the decision-making processes of consumers of residential property have been the focal point of this research which was conducted on a cross-national comparative basis. Further work considered whether valuers displayed any obvious differences in practice to reflect variations in buyer perceptions across the three countries investigated.

The growing internationalisation of property activities has stimulated an awareness of practices in other countries (Adair, et al. 1996b¹³) and, as such, provided the springboard for undertaking an international study. The research was conducted in three countries, namely, the United Kingdom (UK), Ireland (IRL) and Australia (AUS). The main aim of the research is to determine whether the valuation methods adopted by valuers account for buyer behaviour accurately.

This Chapter provides an introduction to the research area, with section 1.1 describing housing markets in the UK. The rationale for undertaking a study into the behaviour of consumers of residential property is explained in the following section 1.2. An overview of the main valuation method used for residential mortgage valuations in the countries

investigated is provided in section 1.3, with associated professional guidance outlined in section 1.4. Finally the structure of the thesis including the aims and the research methodology is addressed in section 1.5.

1.1 Background to UK Housing Markets

Within the UK, the owner-occupied sector of the residential property market is financially significant. The total housing stock exceeds 24 million units, of which sixty seven per cent is in owner-occupation (RICS, 1997¹⁴). A crude valuation of the owner-occupied sector is £1,450 billion (Jenkins, *ibid.*¹), based on the average price of property being £90,000 (HMLR, 1999¹⁵). Consequently, with forty per cent of all personal wealth tied up in housing, such a large and dynamic market clearly impacts on the whole economic life of the nation.

In the late 1980s, house prices in the UK reached then record levels, with prices rising in excess of fifty per cent in some parts of the country. During 1988 housing transactions peaked with over 2 million transactions recorded (Anon, 1996¹⁶). However, due to changes in the marketplace, which included a sharp increase in interest rates, housing markets in the UK slumped leading the whole economy into recession. In essence, the perceived sustainability of the then level of house prices by both the public and professionals diminished, causing house prices to plummet (Anon, 1993¹⁷).

This collapse in asset values led to a situation in which 1.7 million homeowners were affected by negative equity (Millward, 1996¹⁸; Which? 1996¹⁹). During the first half of the 1990s not only were millions of people experiencing negative equity, thousands more lost their homes altogether - 345,000 were repossessed during 1990-95 (Anon, *ibid.*¹⁶).

Demand for housing and mortgage finance largely follows the general economic cycle and can be affected by various economic factors, including trends in real income and unemployment levels, the level and future expectations of trends in house prices, and the cost of mortgage finance and demographic influences (MMC, 1994²⁰). For most

consumers of residential property, buying a home involves critically important financial decisions.

The purpose of a valuation for mortgage security is to enable the lending institution to assess the security offered by a property for a proposed loan (RICS, *ibid.*³). Essentially, a mortgage valuation is an assessment of the open market value of a property, that is, normally, the price agreed between a willing vendor and purchaser. Objectively, there should also be a forced sale assumption in unfavourable markets, with lenders not keen to lend more money against the property as security than is likely to be realised on sale at some future date. Thus, the measure of value should reflect the sustainability of the bid in terms of the security and in the market in which it is traded (Jenkins, *ibid.*¹).

However, in recent times the risk of default has shifted to buyers but because of high transaction costs, the purchaser will usually rely on lenders to assess the suitability of the security rather than commission their own valuation of the property. Clearly lenders are concerned with the value of the property at the date of valuation, but they are also concerned with the future value of the asset, that is the sustainable value. Consequently, it would appear that both consumers and their lenders (and the lenders' advisors) are objectively interested in sustainable asset values. However, to gain the benefits of a true valuation that reflects the sustainability of the asset, the demand-side of the market should receive more attention from valuers and be encompassed explicitly if valuation accuracy levels are to improve (Almond et al. 1997²¹).

Ideally, valuation methodology should reflect both the characteristics of supply and of demand. However, this requirement is not limited to mortgage valuations, as all valuations should reflect the demand-side if values are to be sustainable, suggesting that there are implications on valuation practice for other purposes as well as mortgages.

1.2 Consumer Perspective

A review of the literature relating to the consumers of residential property suggests that buyer and seller attributes be explicitly considered in appraisal to determine market characteristics that affect value. Appraisal seeks to estimate the value of property to

consumers, with market analysis attempting to predict consumer demand for real estate services (Gibler and Nelson, *ibid.*¹¹). The two, which are obviously inter-linked, are the focus of the current research.

Consumer behaviour examines not only what behaviours consumers exhibit but also the reasons for those behaviours. Because residential real estate purchases are considered to be among the most financially pivotal of a consumer's lifetime, they require complex decision-making. In other words real estate purchases are what behaviourists call "high involvement goods". Greater knowledge of real estate consumers and their behaviours will lead to a better understanding and prediction of decision-maker's actions in real estate markets (Gibler and Nelson, *ibid.*¹¹).

As noted, valuation methodology has been criticised for being overly focused on the supply-side of the market. Valuers fail to note explicitly demand-side market-related variables in their analysis. Ultimately, the price of property is a result of action by market participants who are affected by a wide range of externalities. Without an understanding of consumer behaviour, valuers do not have a systematic method for identifying the effects of such forces across market segments.

DeLisle (1985²²) considered the professional valuer, and how the precision and reliability of residential valuations could be increased by the inclusion of a behavioural perspective. Later research into the behaviour of market participants echoed this, concluding that greater awareness should be given to the factors influencing the decision-making processes of the consumers for residential property (Adair, et al. *ibid.*¹²). Furthermore, valuers and buyers think differently in relation to residential property valuations and their perception and relative weighting of the salient attributes influencing value is significantly different (*ibid.*¹²). To-date behavioural studies have not shown that valuers' approach has changed to reflect these concerns.

A key aspect of this research has been considering the attributes that impact on value from the consumers' perspective. Understanding how people react to certain influences in the market has been the central thrust of the research. Consumer behaviour and its application to the study of real estate is reviewed in more detail in Chapter Three.

1.3 Overview of Residential Valuation Practice

In the UK, Ireland and Australia the majority of valuations of residential property for mortgage purposes are carried out using the comparative method of valuation also referred to as the sales comparison approach or the direct comparative method. The comparison method of valuation can be defined as:

“A method of assessing the value of a property by reference to the actual prices obtained for similar properties. The prices paid for any comparable properties are analysed and adjusted for differences (as applicable) in location, physical condition, size, age, condition, tenure, time of sale, ‘special suitability’ and any other relevant factors”. (BrE)

(Abbott, 2000²³)

As applied to the valuation of residential property for sale in the open market, the capital value is invariably the basis of comparison. Jenkins (ibid.¹) suggests that the process can be broken down into three main steps:

1. selection of comparables;
2. analysis of comparables; and,
3. formulation of opinion of value.

The preliminary requirement for a valuer employing DCC is a comprehensive record of transactions. It is suggested that a valuer's file should contain certain information, including the inspection notes, the location plans, the valuation calculations which should include the comparables and the valuer's thought process leading to the formulation of the opinion of value (Waters, 1994²⁴). However, an essential tool for a valuer using DCC is the availability of a register (records) of comparable sales.

With regard to the countries included in the research, Ireland and the UK until recently, do not have a publicly-available register, with information on sales generally shrouded in secrecy. In the UK, the Land Registry considered a proposal to restore “price paid” to the register (HM Land Registry, 1997²⁵) and this materialised three years later.

However, to obtain information from the Registry is both expensive and laborious. Whilst the information goes some way to remove the secretive nature of the marketplace, the sale price is only one part of the transaction evidence required for a reliable valuation.

By contrast, the Department of Natural Resources (DNR) in Australia records all sales transactions, and the public can then access this information. More commonly, the information is retrieved by commercial organisations that compile the data into a more useable form, permitting the easy selection of comparables that are then sold in this adjusted form to valuation firms. The national database available is discussed in more detail in the research methodology (Chapter Five) which utilises the DNR search facilities in identifying respondents for the research. Furthermore, Appendix I outlines the information retrieved from the database, and also the search parameters imposed.

DCC has been criticised for being imprecise and ambiguous (Wiltshaw, 1991²⁶) with texts devoting a minimum of space to the methodological procedure. This may be due to the fact that the valuation method is relatively simple to describe. However, a practice manual devoted to residential theory and practice was published this year (Jenkins, *ibid.*¹) which devotes some thirty pages to the DCC process alone, compared with previous texts explaining the process in four and five pages (Mackmin, 1994²⁷; Millington, *ibid.*⁸; Richmond, 1994²⁸), respectively. The professional guidance offered to valuers in the UK, Ireland and Australia, in particular in relation to valuations of residential property for mortgage purposes which normally adopts the DCC approach, is reviewed in the following subsection.

Furthermore, a recent Ph.D. Thesis investigating local knowledge and the valuation of residential property undertook an exhaustive review of the literature relating to DCC (Almond, 1999²⁹). Consequently, it would seem appropriate to explain in some detail the complexity of the DCC by summarising the comparable sales selection process, as depicted in Figure 1, which was developed by Almond.

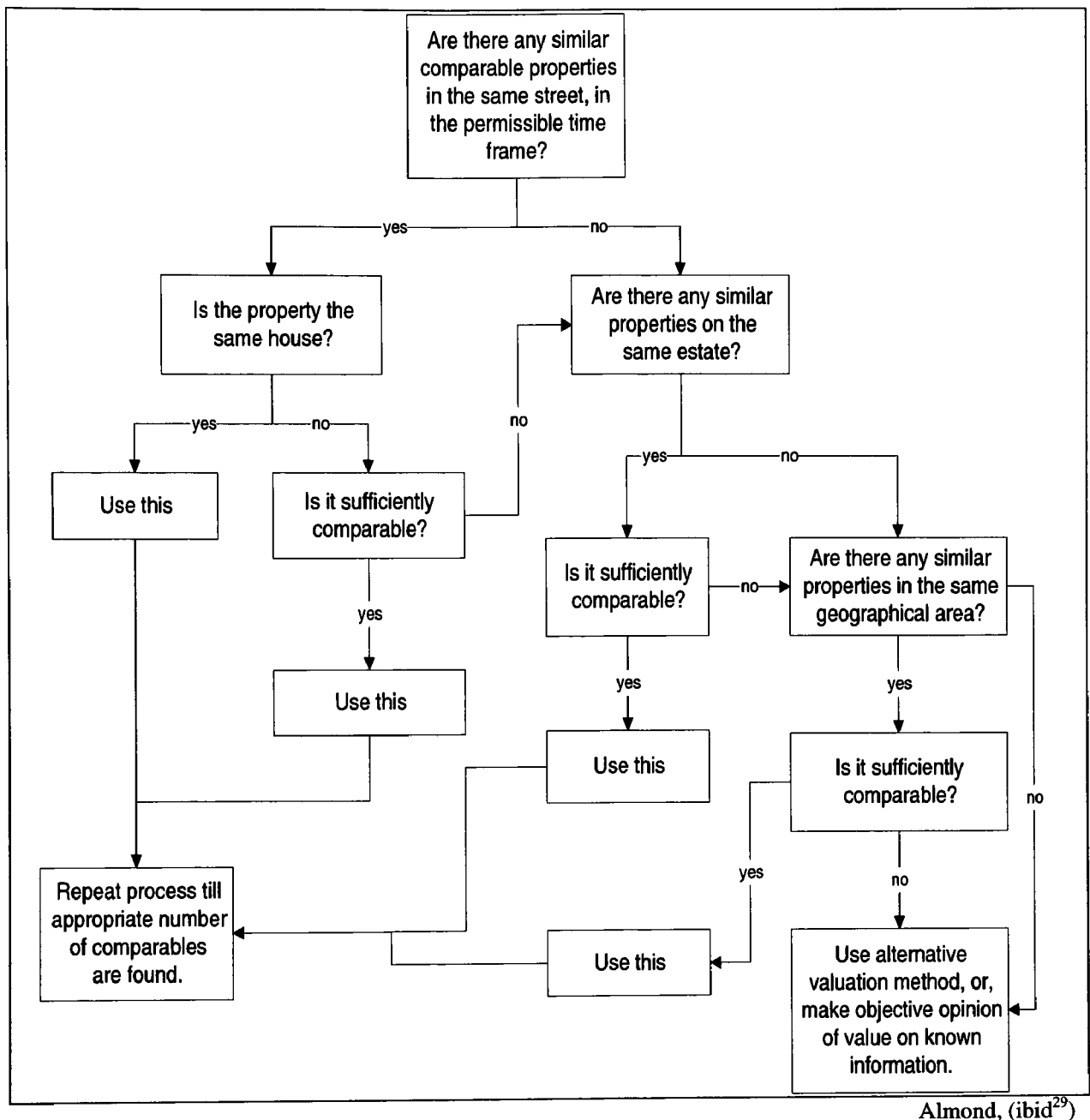


Figure 1 Comparable sale selection process

The number of comparables selected will depend on the circumstances as, presumably will the “geographical area”. A skilled valuer may use three or less comparables (Adair and M^cGreal, 1987³⁰). Clearly, the more comparables that are available to the valuer, the better position the valuer is in to substantiate the valuation (Almond, *ibid.*²⁹) though the longer and more complex the analysis may become.

The selection process requires the valuer to identify implicitly or explicitly key attributes that are used to select comparables. Of particular importance was a previous

study in the UK by Adair (*ibid.*⁶) which defined the major characteristics that impact on residential value, from both the valuer and the consumer's perspective, across different market segments in the area of East Belfast. Overall a composite set of forty-seven attributes were determined. Jenkins (1992³¹) identified sixty-nine variables in use by valuers observed in his study. The RICS Appraisal and Valuation Manual lists some sixty attributes within its classification which could have an impact on residential value (RICS, *ibid.*³). However, the attributes in the earlier studies were all supply-side, evidence that valuation methodology in the UK remains overly focused on the supply-side of the market (Gronow, et al. 1996³²; Lewis, *ibid.*⁵).

The continued use of DCC, particularly in light of advancing technologies is no accident, indicating some practical robustness (Wiltshaw, *ibid.*²⁶). Its advantage is that it derives value from known quantities, that is, previous transactions within the marketplace, which form the most widely available source of evidence for valuers. The evidence used by valuers reflects the interaction of supply and demand and the current research, among other things, aims to provide a clearer understanding of how consumers react to demand-related factors within the marketplace and how valuers interpret this.

DCC's weakness is that it is based almost exclusively on historical circumstances and relies on valuers' abilities to predict the added effects of emerging and predictable influences, including consumer demand and preferences. Specifically, the issue of sustainability is considered in the research, as this is dependent at least in part, on the assessment of both supply and demand-side attributes. The research investigates whether valuation methodology coupled with lender pressure forces valuers to overlook the issue of sustainability.

1.4 Professional Guidance

Within the three countries involved in the research, guidance is provided to valuers to ensure professional standards are maintained. Essentially, valuers who fail to comply with the rules of conduct, code of ethics, bye-laws or regulations of nationally-recognised professional institutions, are in breach and face discipline. The extent of

regulation varies across the three countries with each described in the following subsections. The focus of much of the professional guidance is on commercial valuation practice, however, guidance is also provided to cover residential mortgage valuations.

1.4.1 United Kingdom

Within the UK the majority of residential valuations for mortgage purposes are undertaken by Chartered Surveyors, being corporate members of the Royal Institution of Chartered Surveyors (RICS). Professional guidance is provided in the *RICS Appraisal and Valuation Manual* (RICS, *ibid.*³), more commonly known as the Red Book. Of the information contained in the Red Book, valuers are required to adhere to the mandatory Practice Statements (PS), failure to comply with which would constitute a breach of the RICS bye-laws and regulations. Furthermore, valuers are advised to follow the Guidance Notes (GN), as a matter of good professional practice.

The practice statements, which are of importance in the current context, include:

- PS4 Definitions of value;
- PS5 Qualifications and conflicts of interest;
- PS6 Inspections and material considerations; and,
- PS9 Valuation of residential property for mortgage purposes.

Appendices to the practice statements include:

- PSA2 Conditions of Engagement; and,
- PSA9 Model report form for valuation of residential property for mortgage purposes.

Clearly, valuers must ensure that they comply with the required qualifications and conflicts of interest contained in PS5. With regard to the valuation of residential properties for mortgage purposes valuers must comply with PS9. In essence, valuers should follow the specifications laid out in Annex A to PS9, which requires that the valuation is limited to assessing the adequacy of security. Points worthy of note include the role of the valuer which states that the valuer is to advise the lender of the property's

open market value (OMV), and to record any factors likely to materially affect value. The Annex focuses mainly on the inspection of the property, which should entail a visual inspection of the interior and exterior of the property, as is accessible at the date of valuation. The assumptions which the valuer should make are provided, together with the factors which should be taken into account, these being:

- tenure;
- age, type, accommodation, siting, amenities, fixtures and features of the property and other significant environmental factors; and,
- general state and liability of repair, construction, any apparent major defects, liability to subsidence, flooding and other risks.

The guidance notes, which complement the mandatory practice statements, offer additional information to the valuer. The Annex to GN3 provides a more comprehensive list of factors, which the valuer should record and give regard to within the valuation. However, this information should not be considered exhaustive, given the much wider set of attributes that impact on value (Almond, *ibid.*²⁹).

Guidance Note 1 offers general guidance on valuation and appraisal practice. Evidence of actual transactions is at the heart of the direct comparative process and the centre of the valuers' formation of value. However, the guidance goes on to suggest that other factors should also be considered including local economic factors, planning and the overall economy. Furthermore, PS4 specifies that valuers do not have to follow the evidence of actual transactions unquestioningly, though trends in value and market evidence should be considered.

1.4.2 Ireland

The bulk of residential valuations for mortgage security purposes are undertaken by members of either the Institute of Professional Auctioneers and Valuers (IPAV) or the Irish Auctioneers and Valuers Institute (IAVI). The latter provides members with guidance in respect of Estate Agency Practice in Ireland, and it is compiled in conjunction with The Society of Chartered Surveyors. The practice handbook offers

definitions and guidelines for a wide range of property activities, including mortgage valuations under Section 21.

In this respect valuers are advised that in arriving at an opinion of value a visual inspection of the property must be undertaken, giving regard to any major defects and the prevailing levels of value. Assumptions, which the valuer should make, relate to environmental factors, planning approvals and that no conflict of interest exists. As in the UK, the Building Societies Act 1989 contains the legal requirements of valuers undertaking valuations for lending purposes and the guidance suggests that valuers should be familiar with the Act, in particular, in relation to the issues surrounding conflicts of interest.

In many instances throughout the handbook, reference is made to the RICS Red Book and where applicable to British case law. With regard to residential mortgage valuations, Appendix 21 details the court's comments in relation to *Goldings -v- Sneesby* [1995] 10 PLT 6^{b33}, which found the defendant to be negligent in respect of the inspection carried out on behalf of the plaintiff's lender. The commentary given in the handbook advises valuers "in all cases" to recommend that the buyer secure an independent structural survey prior to proceeding with the purchase. Furthermore, the Court of Appeal commented that it is unreasonable to expect purchasers at the lower end of the market with no defects apparent in the property to incur the expense of obtaining a more detailed report, thus emphasising the valuers' duty of care to the purchaser.

1.4.3 Australia

The Australian Property Institute (API) provides professional guidance to valuers in the *API Professional Practice 2000* (API, 1999³⁴). The professional guidance is comprehensive containing a client focus (CF), practice statements (PS) and guidance notes (GN). The guidance is very similar to the *RICS Appraisal and Valuation Manual*

^b *Goldings -v- Sneesby* [1995] Professional Liability Today, Vol.10, No. 6, June 1995

(RICS, *ibid.*³), as is the regulatory system, in that the practice statements are mandatory and the guidance notes a matter of best practice.

With regard to residential mortgage valuations information which will be of use to valuers is included in the three sections mentioned. Essentially, the information, which is of importance, comprises:

CF2 Instructing Valuers - A Guide for the Mortgage Industry;
PS12 Mortgage Security Reports; and,
GN12 Mortgage Security Reports for Real Property.

The client focus is worth mentioning as it provides lenders with an understanding of the information required by valuers, and of the expectations and limitations of the valuation report. Furthermore, it provides assistance to valuers and may improve the service offered to clients. Essentially, the client focus provides lenders with details of what is required when instructing valuers and of the supporting documentation necessary to undertake a mortgage valuation. CF2 is divided into two parts, with the first relating to the valuers' instructions and the second relating to the valuation report.

Points worthy of note include the valuer's role which is to provide an expert and impartial report, highlighting the associated risks whilst providing an estimate of market value. The definition of market value provided by the API has been adopted from the International Assets Valuation Standards Committee (TIAVSC), currently named the International Valuation Standards Committee (IVSC). It is the recommended definition in the three countries studied in the research and is defined as:

"... the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arms' length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

(API, *ibid.*³⁴)

Lenders are advised to encourage valuers to "view, enquire, analyse and report" (API, *ibid.*³⁴) with an outline of the information that should be included in the instructions to

valuers. The valuer should provide an overview of the market conditions and comment on supply and demand in relation to the property being valued. Furthermore, a comment on the general trends in the market, which are apparent at the valuation date, is required. Obviously, valuers must comply with the Institute's qualifications and the appropriate practice statements. Practice statement 12 concerns mortgage security reports and is supported by guidance note 12. Essentially, the valuers' role is to advise on the market value of the property, taking into account trends and any factors likely to materially affect value. In particular, advice regarding the likelihood of the property reducing in value over the next two to three years is required. Furthermore, any factors affecting the marketability of the property should be considered, or factors that might in the foreseeable future, impact adversely on the marketability or value of the property.

Valuers should also comment on the condition of the market and arrive at a single valuation figure. However, this figure may be apportioned between land, improvements and other real estate elements. The guidance notes provide "information, commentary, opinion, advice and recommendations" (API, *ibid.*³⁴) and these are regarded as an integral part of professional practice because they embody good professional practice. The contents of the valuation report are described in more detail within the guidance notes.

For example, GN 12 3.1.6 regarding location, advises the valuer as to what should be considered under the term "location". Firstly, a statement as to the position of the property relative to the Central Business District (CBD), nearest main town or regional centre is required. Secondly, the actual locality, which should describe the immediate neighbouring developments, drawing attention to positive and/or negative features which affect value. The valuer is advised that the valuation requires on-site observations, and that prime cost factors should be recorded.

There is a degree of co-operation between the professional guidance in the three countries investigated, especially resulting from the adoption of the same internationally recognised definitions. Both the UK and Australia have a similar format in their guidance. However, the Australian guidance notes include a client focus and are more concise than the British version. In most cases, the guidance provided to valuers in Ireland refers to the RICS Red Book. Chapter Four describes the comparative aspect of

the research in detail, including an outline of the individual systems and structures of each of the three countries engaged in the research. The apparent differences between the countries are detailed, in particular with regard to valuation methodology.

1.5 Structure of Thesis and Research Methodology

The research goes beyond the factors influencing value from the consumers' perspective to consider other issues within valuation practice in the UK, Ireland and Australia. The aim of the research is to determine whether the valuation methods adopted by valuers account for buyer behaviour accurately. In order to achieve this aim, the following objectives are identified:

- to undertake cross-national comparisons in the United Kingdom, Ireland and Australia with regard to providing a clearer understanding of the factors related to demand;
- to identify the attributes which impact on value from the consumers' perspective;
- to identify the leading indicators capable of warning of changes in market conditions;
- to assess critically the effects of lender pressure on the valuation methods used by valuers; and,
- to determine whether valuation methodology coupled with lender pressure forces valuers to overlook the issue of sustainability.

In order to address the aim of the research, a purely qualitative approach was adopted on a cross-national comparative basis. The research aims to build on the theory that already exists. Boydell et al. (1997³⁵) argue in favour of qualitative research in property appraisal because it lends itself to the generation and development of theory. Adair et al. (ibid.¹²) established that buyers and valuers perceive differently the relative importance of valuing influencing factors. More precisely, their research went on to question the validity of valuers interpreting the market in terms of buyer behaviour.

In the light of this earlier research, face-to-face interviews were conducted with consumers of residential property to ascertain their views regarding the factors they perceive as influencing the value of residential property. To widen the views, interviews were conducted in the three countries and the pertinent factors elicited. Further work included interviews with professional valuers, again adopting a face-to-face format, with videoconferencing equipment facilitating this approach for the professional interviews in Australia. A questionnaire was also employed in conjunction with the personal interviews with some quantitative analysis undertaken in support of the interview data.

Chapter two considers behavioural real estate research. Essentially, the understanding of human decision-making is vitally important in the valuation process. The implications that behavioural research has had on the overall valuation process is evaluated. This chapter also outlines the critical observation of practice in relation to the current residential mortgage valuation process.

Chapter three reviews the literature on consumer behaviour in a real estate context. Initially a definition of 'consumer behaviour' is given with an outline of the strategies that can be adopted in consumer behaviour research. In particular, research into real estate market participants is reviewed. The benefit afforded by a consumer perspective within residential property valuation practice is explained.

Chapter four considers the cross-national aspect of the research. The methodological procedures involved in comparative research are considered and the importance of cross-national research in today's global climate is highlighted. With regard to the countries involved in the study, the choice of countries under investigation is justified in light of the research aims and objectives. The collaborative requirement of cross-national research is addressed and variations in the systems and structures with regard to residential valuation theory and practice are also considered.

Chapter five evaluates the research methodology adopted in relation to the empirical work conducted in the three countries. The qualitative data collected has provided the researcher with unique material for analysis, revealing vital aspects of the demand side of the market of residential property valuation, with further empirical work examining

the valuers' treatment of this new information. Appendices IV to IX, contain complete transcripts of the forty-five interviews undertaken which spanned the three countries involved in the research.

Chapter six presents the results of the research, outlined initially under each separate element of the research (i.e. consumer study, professional interviews, and valuation expert questionnaire), before the results are discussed in full.

Chapter seven summarises the main outputs from the research, and provides the overall conclusions, including a discussion for further research.

1.6 Summary

This introductory chapter lays the foundations for the thesis. It introduces the research problem, research questions and the theory from which the research problem arises.

Then, research is justified, definitions provided, the methodology briefly introduced and justified and the structure of the thesis outlined. In light of this introduction, the thesis proceeds with a detailed description of the research.

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2. BEHAVIOURAL REAL ESTATE RESEARCH

2.0 Introduction

Real estate research has developed over the last two decades to encompass an expanding body of literature in the behavioural paradigm of property research. Essentially, the behavioural framework has been concerned with human problem-solving and information-processing. This strategy has overtaken previous research agendas, which generally fell within the financial and/or economic paradigms. Applied to the study of real estate, research adopting either an economically or financially orientated perspective focuses mainly on transaction price information, utilising general models of economic theory.

More recently, aspects of psychology have been grafted into research strategies because of the nature of transaction data, which is the result of human behaviour. Over the years, property-related research has been multi-disciplinary, and the psychology domain is an important component. Transaction data can be viewed from within the behavioural framework but it can also be viewed from the vantage-point of an area of applied psychology called environmental psychology.

This is a much larger field than that of the behavioural paradigm and it is a relatively new discipline, with scientific and practical applications yet to be applied to the study of real estate. It borders the current research in that environmental psychology is concerned with transactions between individuals and their physical settings (Gifford, 1997¹). With regard to residential property, it specifically examines residential preferences, choice and satisfaction (ibid.¹).

However, rather than pursuing these concepts, the current research is considering buyer behaviour and how buyers react to market influences. It is concerned with behavioural theory aimed at improving our understanding of the decision-making processes of residential homeowners and as such, it falls more into the behavioural framework of real estate research.

Consequently, the remainder of this chapter describes the research previously undertaken in the behavioural paradigm. It is necessary to understand the role of behaviourism within valuation research, and to assess the methodological procedures adopted by valuers in light of these behavioural issues. This Chapter reviews the literature available on behavioural real estate research and during the review, consideration is given to the impact of behavioural issues on valuation practice.

2.1 Human Problem-Solving

Real estate researchers have been late in their acceptance of behavioural theory as a paradigm for the study of decision-making (Hardin, 1999²). This is in contrast with other areas of business specialisation, including marketing, accounting and, management, which all have a tradition of using cognitive behavioural theory to both describe the decision-making process and prescribe possible methods for improving the decision-making environment (ibid.²).

However, the behavioural approach has the ascendant over economic and financial paradigms in current research priorities. This behavioural trend may have been developed from financial markets where increasingly, investor behaviour is reflected in the investment strategies adopted (Gallimore, 1999³). In particular, research has focused on human problem-solving and information processes. The theoretical foundations of most studies of the decision-making is derived from Simon (1957⁴;1978⁵) and Newell and Simon, (1972⁶). Simon (1957⁴) postulates that decisions are made within a subset of all possible solutions. Limitations in the use and review of all potential solutions is considered rational behaviour, as other factors including search cost and data evaluation, impact a specific individual's utility.

Newell and Simon (ibid.⁶) and Simon (1978⁵) expand and refine initial work by emphasising individual's cognitive limitations and by developing a theory of human information processing that integrates limitations in short-term memory with the decision-making process. Schemas are domain-specific cognitive processes for interpreting declarative and procedural knowledge (Hardin, ibid.²). In simplified terms, human information processing occurs where an individual interprets a task (decision to

be made) and tries to formulate it into a known, structured problem space (Newell and Simon, *ibid.*⁶) (Simon, 1978⁵). A problem space is how a decision-maker cognitively perceives the problem to be resolved. Further theory developed by Evans (1989⁷), Baron (1985⁸) and Shanteau (1992⁹) emphasises that the use of schemas or heuristics is fundamentally a rational response to expanding levels of information.

The selection of a problem space or schema, is an interactive process composed of information processing, task environment comprehension, and problem space definition (Hardin, *ibid.*²). Interaction is facilitated by information-processing heuristics at the task environment interpretation stage and the problem space generation stage of the decision process (*ibid.*²). The task environment is the actual problem to be solved. The use of heuristics reduces the number of alternatives available for resolution. Simon's fundamental argument is "problem solving behaviour is produced by a small set of elementary information processes, organized into strategies or programs" (Simon, *ibid.*⁵).

When applied correctly, information-processing heuristics reduce search time by providing for proper task definition and problem space generation. The ability to quickly assess and effectively process data is the essence of domain-specific expertise. Furthermore, Newell and Simon (1981¹⁰) define intelligence based on the individual's capacity to use simplifying heuristics. In order to function in an ill-structured environment, humans must be able to determine what data are relevant and what relations are credible. The decision-maker must interpret the task environment and generate a problem space that allows for the solution of a task.

Building on this framework, Evans (*ibid.*⁷) postulates that experience and training will allow for a better task recognition and greater development of problem spaces. When faced with familiar tasks, heuristics are preconscious allowing for rapid acquisition and implementation of data search procedures. The decision-maker uses a preconscious, pre-developed schema that determines the task and the production rules available to resolve the problem. The schema is domain specific and includes related 'declarative and procedural knowledge' (Hardin, *ibid.*²). An expert has both domain-specific knowledge and a procedure, or procedures, for incorporating that knowledge into the decision-making process.

Baron (ibid.⁸) argues that the selection of one schema may result in the selection of one set of relevant information while the use of another schema may result in a different set of relevant information. Each schema contains knowledge from a particular domain that serves as a guide to relevant data selection. In summary, human information processing theory indicates that humans obtain domain-specific schema that lead to optimal decisions within the framework of their domains of expertise.

Bias may occur because of the misapplication of a schema that controls processing heuristics or undeveloped domain-specific knowledge. The development of additional theory on when schema misapplication may occur is necessary and is partially provided by Shanteau (ibid.⁹). The prerequisite of the misapplication of schema is insufficient domain expertise for schema development. Shanteau's theory of expert competence includes five specific factors affecting an expert's competence to address sources of potential bias found in empirical research on decision-making presented by both the behavioural and cognitive researchers, including:

- domain knowledge incorporating textbook knowledge plus experience gained by working in a real world problem-solving environment;
- psychological traits including self-confidence, responsibility, and an ability to adapt;
- cognitive skills involving cues from complex to stressful external environments;
- decision strategies which include simplification strategies for data acquisition and the use of preconscious decision procedures or heuristics; and,
- interpretation and presentation of task characteristics.

The initial four factors require the decision-maker to have sufficient knowledge and experience to develop data acquisition heuristics that work. Shanteau postulates that in a dynamic situation, actual task interpretation and presentation are difficult. For example the task must be representative, objective, decomposable, allow for substantial feedback, have agreed upon stimuli, and have predictable problem parameters. Bias in

the decision-making may occur through an inaccurate perception of the task or the incorporation of poorly-developed schema (Hardin, *ibid.*²). When humans are asked to solve tasks that are inherently difficult to master because of poor feedback, uncertainty with regard to the variability of inputs and outputs, uncertain stimuli, and unpredictable problem parameters, heuristic use is likely to lead to sub-optimal decisions (Hardin, *ibid.*²). Schön (1995¹¹) considered the confidence of professional practice and supports the premise that professional practice is characterised by “uncertainty, instability, uniqueness and value conflict” (*ibid.*¹¹), in which the problems faced by professionals are both “complex and messy”.

Shanteau’s theory provides two important insights. The first is a requirement of domain-specific expertise. In investigating human information processing in a real estate context, special attention is required when specifying expertise because without expertise at some level, the existence and effect of heuristic use can only be informed as a general decision-making condition. Heuristic bias would occur because domain knowledge is insufficient and general information-processing heuristics are inadequate to address the task.

Consequently, an over reliance on the use of naïve or novice study participants may render real estate research simply replications of studies showing that bias is greatest in general cases with limited domain-specific expertise. This is particularly relevant in the following discussion of behavioural real estate research, where a number of important studies have used students as research participants. Havard (1999¹²) echoes this by emphasising that experiments utilising students, as research participants, may not be applicable in practice.

Secondly, the actual task definition is critical. Effective heuristic development requires a task to be repetitive, objective and decomposable with substantial feedback. Real estate decision-making takes place in an ill-structured environment with uncertain stimuli, limited feedback and numerous overlapping domains of expertise - a dynamic research environment. Thus, researchers must control the research environment to test adequately for heuristic use and potential bias.

These heuristic principles are relied upon to reduce complex tasks of assessing probabilities and predicting values to simpler judgement operations, but may thereby lead to errors in the form of biases. Thus, people use ‘rules of thumb’ for making judgements and decisions (Raftery and Runeson, 1997¹³), yet their use could lead to serious judgement errors. Tversky and Kahneman (1974¹⁴) first demonstrated this behaviour, and identified three heuristics known as representation, availability, and anchoring and adjustment (Tversky and Kahneman, *ibid.*¹⁴). Table 2a outlines the definition of these heuristics alongside the reason for the potential bias and was designed for the current research. Details of other heuristics that are discussed further in the following subsection are also provided.

Heuristic	Definition	Reason for Bias
Representativeness	Evaluation of an uncertain probability by the degree to which sample characteristics are similar to key features of the parent population.	Similarity or representativeness fails to account for characteristics that should affect judgements concerning probability.
Availability	Using ease of recall (of available information) of past occurrences or correlation to assess event probabilities.	Availability is affected by factors other than frequency and probability.
Anchoring and Adjustment	Estimates, which originate from an initial starting point (value), that is, adjusted to yield the final answer.	Different starting points yield different estimates, which are biased toward the initial value.
Positivity	Humans seek data that is fundamentally consistent with existing beliefs, theories and cognition.	Bias occurs when data that should be deemed relevant is not because of a preconscious search for positive feedback.
Recency	Proposes that conclusions may be distorted by the order in which information is received.	Tendency for valuation figures to be moderated towards recent valuation conclusions
Dilution	Refers to the way in which information is presented and the receiver’s attitude to the information.	Impact of evidence is reduced because of the way in which it was presented.

Table 2a Potential Bias Arising from the Use of “Rules of Thumb”

A better understanding of these heuristics and of the potential bias that can result from their use would improve judgements and decisions in situations of uncertainty. It is this observation that initiated research into human problem-solving within real estate markets. In terms of the valuation process, valuers are often faced with too few transactions, and with fragmentary, uncertain and possibly incorrect data (Almond, 1999¹⁵).

Evans (ibid.⁷) uses the work of Tversky and Kahneman (ibid.¹⁴) as a function for his synthesis of heuristics and bias. A definition of a positivity bias emerged with the argument centred on the concept of a confirmation heuristic meaning that humans seek data that is fundamentally consistent with existing beliefs, theories and cognition. Bias occurs when data that should be deemed relevant is not because of a preconscious search for positive feedback. However, Evans argues that the concept of confirmation bias is not correct and that confirmation bias is a function of a cognitive failure in the human information processing system developed by Simon (Hardin, ibid.²).

Almond (ibid.¹⁵) suggested that behavioural research has embraced three key areas, and the following sections review the research relating to these areas, namely, information processing (2.2), price biasing effects (2.3) and geographic familiarity (2.4), before the impact of behavioural research on valuation practice is considered (2.5).

2.2 Information Processing

In the USA an early empirical investigation was conducted into the way residential appraisers obtain and use market data (Madden and Bond, 1981¹⁶). The research considered whether the information acquired by appraisers was subject to bias. In particular, the data management practices of residential appraisers were examined. A normative model of the residential appraisal process was constructed from a review of real estate appraisal textbooks and literature. The process of comparable sales selection, validation and maintenance was then compared with this normative model.

The research was descriptive in nature and as such the findings were based on observations, with no attempt made to measure the bias found. However, the patterns

that did emerge had important implications for appraisal practice and future research relating to valuation accuracy. With regard to the data sources used by residential appraisers, there appeared to be not only a heavy dependence on multiple listing services, but also an unquestioning acceptance of the information retrieved from these data files. The process used by appraisers lacked a physical inspection of the comparables and any real effort to confirm the data used to produce the valuation.

The norms of data collection and verification suggested by appraisal textbooks have maintained that sales data must be representative of the market, that is both timely and reliable (A.I.R.E.A., 1973¹⁷). Consequently, further research was required to ascertain the representativeness of databases generated from widely-used data sources such as multiple listing services. In particular, in light of residential appraisers' dependency on intensive data sources, work was required to establish the possible biases of these sources.

Later studies supported the premise that the use of multiple listing services may lead to distortion of appraisal because the databases are commercially maintained. As a result the data provided by the commercial "comp sale data" banks may be inadequate to perform a residential appraisal based on that fact that not all the pertinent information is disclosed (Crockham, 1995¹⁸). Furthermore, it was suggested that appraisers may attach more weight to these sources than is justified (*ibid.*¹⁸).

The overall appraisal and comparable sale selection process was considered in an early behavioural investigation in the USA (Diaz, 1990a¹⁹, b²⁰). The need for actual decision-making behaviour to become the focus of real estate investigations was encouraged, with a model of actual expert behaviour developed (Diaz, 1990a¹⁹). The appraisal process promotes a solution process, the focus of which begins with general information, such as neighbourhood, and gradually extends down to the specifics of the property. However, unlike this prescribed process, his research found that experts quickly focus on the specifics of the subject property and only broadened the inquiry when questions arose which warranted investigation of more general information (*ibid.*¹⁹).

Theoretically, the problem-solving behaviour of experts is highly efficient and is driven by subconscious procedures called 'production rules', which are learned gradually with practice and experience (Newell and Simon, *ibid.*⁶). The theory behind these production rules suggest that experts solving routine tasks automatically and unconsciously proceed to the next step, whereas a novice will deliberate what the next step should be. The production rules employed by appraisers are ruthlessly efficient and deviate considerably from the taught appraisal process (Diaz, *ibid.*¹⁹).

The evidence arising from this behavioural investigation strongly suggests that expert residential appraisers do not follow the prescribed appraisal process when solving routine problems. Furthermore, the study supports the contention that appraisers employ heuristics, which are developed to reduce the appraisal process into a more cognitively efficient form. The consequences of this non-normative behaviour are two-fold, in that it could lead to natural biasing behaviour or it could be more efficient than the taught process, with obvious educational implications.

Diaz (*ibid.*²⁰) considered this in more detail with an examination of the comparable selection process of expert appraisers as compared to the process used by students. Two different selection processes were identified with experts tending to examine less of the sales information available than the students. Furthermore, it would appear that the experts focused on two good sales from the initial list, thus reducing the cognitive effort in the selection process.

The apparent differences in the selection behaviour between the two groups included in the research suggest that this more cognitively effective process used by experts should be taught to students. However, that relies on the premise that the heuristics used by experts do not lead to sub-optimal or biasing behaviour. Again, there are implications for both future research and the current educational background of appraisers arising from the research.

There has been a considerable amount of debate in recent years regarding valuation accuracy (Gallimore, 1994²¹). However, little empirical examination of accuracy, in the context of the process which valuers convert information into valuations has been

undertaken. In practice, the valuer selects the comparables and adjusts them on their salient attributes, to align them more closely with the subject property.

Selection and adjustment are inter-related activities, which lead to decisions or judgements. The process remains heavily influenced by the characteristics of human decision-making. In evaluating and choosing comparables valuers have to make sense of complex circumstances attenuated by considerable amounts of information (Gallimore, *ibid.*²¹). Psychological research suggests that individuals adopt simplifying decision strategies, with the phenomena associated with these strategies ultimately affecting the conclusions drawn. Jenkins (1992²²) observed the work of valuers in the right-to-buy valuations of council houses and discovered the phenomena of anchoring and adjustment. Valuers adopted a target value, which was deduced from experience, and proved or disproved by analysis of comparables.

Anchoring behaviour was first hypothesised by Slovic and Lichtenstein (1971²³), as decision-makers relying upon an initial reference point or anchor, which is adjusted to arrive at a final estimate. Anchoring investigations have been extended into real estate negotiations (Black and Diaz, 1996²⁴; Black, 1997²⁵; Diekman et al. 1996²⁶). These investigations demonstrated that real estate negotiators might be susceptible to potential bias arising from inappropriate anchoring, which is consistent with Newell and Simon's (*ibid.*⁶) theory of human problem-solving. However, in actual real estate negotiations, reward is a function of the negotiation outcomes and consequently, previous studies have departed from real world settings, especially as the research participants were student appraisers.

Diaz et al., (1999²⁷) examined the impact of performance incentives on actual real estate negotiation. When faced with the prospect of a gain or a loss, subjects may eschew heuristics in favour of a more cognitively-demanding process which may decrease the potential for bias and increase the potential for superior performance and hence reward (*ibid.*²⁷). Previous studies have indicated that subjects in laboratory negotiating experiments are susceptible to bias arising from over-reliance on reference points, such as asking price and original purchase price. This behaviour has been labelled a heuristic anchoring leading to sub-optimal negotiated results. The major obstacle in generalising

these findings in real world estate negotiations is the existence of performance incentives.

The research cited above demonstrated that participating subjects were found to engage overwhelmingly in heuristic anchoring on asking price. Anchoring on inappropriate asking price produced not only sub-optimal results but also led to inferior reward. The evidence supports the contention that real world negotiators are susceptible to sub-optimal anchoring behaviour and therefore the need for educational interdiction grows (Diaz, et al. *ibid.*²⁷).

The phenomena of anchoring, recency and dilution, (as outlined in Table 2a) are associated with decision strategies and were examined in a later study (Gallimore, *ibid.*²¹). Anchoring is based on the notion that when an estimate is required, it is the result of adjusting from an initial starting figure, which may be supplied internally or from external sources. Anchoring is clearly relevant to the process of comparable valuation because valuers inevitably have to adjust their opinion of value as they receive and interpret data from market analysis.

There is a potential in the process for under-adjustment if the new data are more pertinent than the valuer recognises. In other words, the estimate is anchored by and biased towards the starting point (Tversky and Kahneman, *ibid.*¹⁴). This may lead to changes being 'smoothed' in relation to actual price changes (Gallimore, *ibid.*²¹). Where the valuer lacks confidence in the resulting valuation, there will be a tendency for it to be moderated towards the most recent valuation conclusions. Geltner (1989²⁸) identified that a valuer's level of confidence between a present and past valuation is a distorting factor.

Recency proposes that people's conclusions can be distorted by the order in which the information is received, that is, whether it is received in an ordered pattern (sequential) or at once (simultaneous). Dilution refers to the presentation mode and the receivers' attitude to the evidence, that is, whether they are prone to accept or avoid the impact of the evidence. Recency and dilution are identified as tendencies that arise from people's limited capacity to process information sequentially. Both recency and dilution embody a process of anchoring and adjustment (i.e. as beliefs are sequentially up-dated, so new

anchors are fixed) (Ashton and Ashton, 1988²⁹). However, the process is capable of leading to inappropriate adjustments in the face of new evidence (Tversky and Kahneman, *ibid.*¹⁴).

With regard to valuation practice, it is suggested that the order in which the evidence is presented has an impact on value judgements because of the lack of consistency. Where information is received sequentially, there will be a greater tendency to give weight to the most recent information. Dilution arises when the impact of evidence is reduced because of the mode in which it is presented. The valuation process is characterised by the on-going receipt and adjustment of information about comparables, suggesting that the information is processed sequentially by valuers. However, the emergence of comparable databases may reverse this, leading to simultaneous review and processing.

The outcome of the investigation supports the existence of both anchoring and an order effect in valuation information processing with no evidence of dilution found (Gallimore, *ibid.*²¹). This research highlights the need for residential valuers to be made aware of what anchors may be influential and valuers should seek to satisfy themselves that any prior influences are legitimate.

In a market in which evidence is not freely available, there is a natural tendency not to seek evidence that is perceived as unhelpful to the completion of the task in hand.

Although such information may be relevant, it does not lend itself to the confirmation of previous-held attitudes. Inevitably this behaviour holds the potential for distortion in the resulting valuations. Gallimore (1996³⁰) considered the potential for confirmation bias, with the research centred on the contention that human beings may act in ways that are systematically irrational. Findings from the recency experiment (Gallimore, *ibid.*²¹) raised the possibility that valuers adjust less to negative evidence than to information which supports their views.

The tendency to seek out positive views (confirmation bias) is a widely-accepted distortion factor and is inevitably bound up with the way information itself is processed. In practice, the valuer will bring to a situation some measure of internal knowledge, including an awareness of comparable sales or prior valuations of the comparable sales.

In such a situation confirmation bias would occur in the inclination to seek reinforcement of those prior opinions, disregarding contrary evidence.

The search in valuation is ultimately to confirm rather than reject an opinion as the valuer has a vested interest in finding the evidence that supports the 'case' (Gallimore, *ibid.*³⁰). However, objectively, it is undesirable for valuers to avoid contrary evidence, as it is integral part of the market whose behaviour the valuer is attempting to predict. The research undertaken found no evidence of a confirmation bias, although the findings do reveal the presence of potential biasing behaviour.

It was noted that the failure to uncover the confirmation tendency might have been attributable to the research instruments used. There may be some merit in this contention, as Almond (*ibid.*¹⁵) concluded that the use of postal questionnaires is far too removed from practice to investigate valuation bias. Gallimore (1995³¹) also stressed the need for the development of research instruments more suited to the study of behaviour. Furthermore, Diaz (1990a¹⁹) contends that measurement techniques wedded to conventional statistics cannot capture the richness of human problem-solving.

However, another important study undertaken in the UK revealed that the tentative sale price as agreed between the buyer and seller, and also provided to the mortgage valuer prior to undertaking a valuation, has a major impact on the valuation process. Using data from 104,254 mortgage transactions in the UK between January 1993 and December 1995, it was observed that in 65% of cases, the value returned equalled the sale price provided, with 85% falling within 5% (Gronow, et al. 1996³²). The research provides phenomenal evidence of the price confirmation biasing effect that the sale price has on the valuation process. In particular, and as a result, the research specifically recommends that valuers should not be given bid price information (*ibid.*³²).

In the UK the behaviour of valuers was considered in relation to whether valuers have a greater tendency to adjust a previous low valuation upwards or a previous high valuation downwards (Havard, *ibid.*¹²). With repeatedly-valued investment properties held within funds there is a question as to whether valuers are more willing to adjust a valuation up in a rising market than down in a falling market. This is directly related to the valuation-smoothing phenomenon examined by Diaz and Wolverton (1998³³). The

study also has implications on valuations for loan security because it is essential for the lender that the property represents good security for the loan and that the valuation is therefore not excessive.

Furthermore, if the transaction price is higher than the market evidence would suggest was reasonable, the valuer may not adjust the opinion of value down sufficiently. Again the experiments employed utilised student appraisers as research participants to establish whether bias was illustrated against adjustment of the valuation downwards. The objective of the research was to find empirical support for the idea that valuers are more inclined to adjust a low valuation upwards than to adjust a high valuation downwards.

The results confirm that student valuers do have a greater tendency to adjust a previous low valuation upwards than to adjust a previous high valuation downwards. However, as stated earlier, the experiment results using students may not be applicable in practice and consequently experienced valuers may not be influenced to the same degree by prior knowledge (Diaz and Wolverton, *ibid.*³³).

2.3 Geographic Familiarity

Madden and Bond (*ibid.*¹⁶) initially considered the impact of geographic familiarity. Whilst investigating the way in which residential appraisers obtain and use market data the impact of geographic familiarity emerged. Their research revealed that the majority of appraisers included in the study restrict their professional activities to the “immediate area”. Furthermore, appraisers working in unfamiliar geographic areas relied more heavily on intensive data sources, that is the information gleaned from third parties, such as, other appraisers and financial institutions (*ibid.*¹⁶). It is suggested that an appraiser using such sources is at risk of obtaining and employing information from a source with a vested interest in the sale, thus, resulting in the potential for bias.

According to Diaz (1999³⁴), the first behavioural investigation in the US was undertaken in the early nineties and considered geographic familiarity whilst investigating the problem-solving behaviour of expert appraisers (Diaz, 1990a¹⁹). It was

suggested that an appraiser faced with increasing problem uniqueness, such as an unfamiliar area, may abandon the routine production rule-driven behaviour, as described in the previous section, in favour of a more normal, conscious, deliberate behaviour.

An experiment was designed to investigate the hypothesis that the behaviour of real estate appraisers solving routine appraisal problems in familiar and unfamiliar geographic settings will deviate from the prescribed appraisal process. Traditional measurement techniques linked to conventional statistics cannot capture the richness of problem-solving behaviour and as such the research adopted a process-tracing technique. Newell and Simon (ibid.⁶) provided the theoretical basis for the process-tracing tradition. The methodology is a verbal protocol technique that requires respondents to think aloud. A total of twelve expert appraisers participated in the study, an 'expert' being defined as a professional with no less than five years of residential experience and in possession of a major professional designation.

The experiment designed included two appraisal cases, one in a well-known neighbourhood of Atlanta, that is, well-known to the research participants, and the other in highly unfamiliar area set in Austin Texas some 800 miles away. Participating subjects appraised both the Atlanta case and the Austin case. The research suggests that the behaviour of expert residential real estate appraisers does not conform to the previously prescribed appraisal process. The non-normative behaviour discovered led to the construction of a model of actual expert behaviour, with the information gathered during the experiment providing the basis for the development of the model.

However, the evidence did not reveal any differences between the geographically familiar task behaviour and the geographically unfamiliar task behaviour. The research concludes that a model based on actual expert behaviour must serve as a guide for appraisal problem-solving methodology. Whilst the research considered geographic familiarity, no attempt was made to define the issue. However, a recent study, which examined the behaviour of valuers, considered local knowledge (geographic familiarity) and offered a definition of the term in a valuation context, as:

“Indigenous and exogenous factors that materially impact on the valuation process in respect of the subject property, including building,

environmental and market contextual knowledge within the licensed area", (Almond, *ibid.*¹⁵).

In response to the methodological problems facing real estate research in the current behavioural paradigm, the research into local knowledge triangulated the methodology to include a qualitative approach. Qualitative research focuses on human interaction and meaning from the informants' viewpoint in everyday life situations. Thus, it would seem more appropriate to the study of valuers' actual behaviour in that it 'adds flesh to the bones' of the quantitative data (Morton-Williams, 1985³⁵).

The research considered valuations produced by valuers who were familiar and unfamiliar to the area in which the subject property is situated, given identical pieces of information. It addressed the practical issue of geographic familiarity in the valuation of residential property in the UK. The research provided substantial evidence that prior knowledge of an area is beneficial to the valuation of residential property.

With regard to valuation accuracy, the research found clear evidence that non-local valuers were likely to produce inaccurate valuations based on the margin of error principle, with seventy per cent of the local valuers valuing to within $\pm 5\%$, and the remaining thirty per cent within $\pm 10\%$. In terms of the differences in valuations found, those valuers who were not local to the area produced on the whole lower valuations, providing support to the view that lack of familiarity induces a cautious attitude. Furthermore, lack of familiarity to an area induced valuers to draw on evidence that was not appropriate to the task in hand and on the whole the time taken to produce the valuation was longer than that of the local valuers.

The research supports the premise that valuers working within a familiar area are able to use short cuts that minimise the cognitive effort in the valuation task, and this was evidenced by the shorter time required to produce the valuation by the local valuers as compared with the non-local valuers. Overall, the study highlights the need for local knowledge in the valuation of residential property, not only in terms of the quality of the valuations returned, but also in the time taken to produce the valuation, the nature of the evidence selected, and the need for a certain level of locational experience to be attained (Almond, *ibid.*¹⁵).

The conclusive evidence regarding the difference in the quality of the valuations of valuers who are familiar and unfamiliar to an area lent itself to the development of a definition of local knowledge in a valuation context. During the initial stages of the research the lack of a formal definition of local knowledge was discovered, despite its prominence in the RICS Red Book (RICS, 1995³⁶). In light of the lack of a definitive statement regarding local knowledge in the Red Book, the research strongly suggests the adoption of the definition put forward (Almond, *ibid.*¹⁵).

2.4 Price Biasing Effects

A number of recent studies have considered the impact, which a certain variable, such as, pending sale price or list price, has on the final valuation (Wolverton, 1996³⁷; Black and Diaz, *ibid.*²⁴; Wolverton and Diaz, 1996³⁸; Gallimore and Wolverton, 1997³⁹). List price is the price at which the property is offered for sale on the open market, with the sale price referring to the price at which the parties to a transaction have agreed to proceed with the sale.

Northcraft and Neale (1987⁴⁰) provided the first piece of research in this area, in which they found the tendency for appraisers to be influenced by the list price. The study found that valuation experts anchor to the asking price and can be inappropriately influenced by it. However, Diaz (1999³⁴) regards the work as a flawed study because its participants were real estate agents (marketing experts) and not valuation specialists. Regardless of the inappropriateness of the research participants in relation to USA markets, real estate agents conduct residential valuations in other countries and the study was influential, in that it preceded a stream of research into human problem-solving, in particular anchoring and adjustment.

Wolverton (*ibid.*³⁷) found that appraisers in the USA were affected by the list price. Evidence was also produced that knowledge of the pending sale price was influential in the selection of comparables, resulting in a biasing effect on the valuation. Professional valuations and appraisal associations stress that solutions to appraisal problems must represent unbiased opinions of the monetary worth of a given set of property ownership rights (Gallimore and Wolverton, *ibid.*³⁹). This contention prompted a cross-cultural

comparison (ibid.³⁹) in which two empirical investigations were undertaken, in the USA and the UK, concerning the effect of sale price knowledge on valuer behaviour.

In most instances valuers in the USA will be supplied with the subject property's pending sale price, as a result of a combination of federal, state and professional regulations. However, there are no such disclosure requirements in the UK (ibid.³⁹) with British valuers only advised by professional guidelines to ensure an awareness of any prior recent transaction price of a subject property (RICS, ibid.²⁷).

There are reasons to expect valuers, in the absence of any coercive client influence, to be susceptible to pending sale price knowledge-induced bias. At the time that a valuation is commissioned, the pending sale price is exogenous to the valuation and its incorporation into the process introduces the potential for bias. The cross-national research demonstrated that this bias could manifest itself in the choice of less than the best comparables by the valuer, which could affect actual value estimates (Gallimore and Wolverton, ibid.³⁹).

The possibility of a faulty perception of the valuation goal, such as perceiving the goal as being "support the sale price" rather than "estimate the value" can also impact the valuation (Fraser and Worzala, 1994⁴¹; Gallimore and Wolverton, 1998⁴²). In practice it is possible that valuers reformulate the objective of a valuation from the "estimation of the open market value" (RICS, ibid.³⁶) of a subject property to that of "validating a pending sale price", thus, potentially threatening the accuracy of the resultant valuation.

The extent to which such modification of the valuation objective occurs and the influence that may be associated with its presence was considered in both the UK and the US (Gallimore and Wolverton, ibid.³⁹). The mortgage valuation process generally relies on the gathering of data on sales of comparable properties and making adjustments for noted differences in characteristics between the comparable properties and the subject property. Sticking to this process raises the chances that pending sale price will coincide with the valuer's most probable price estimate and may even fall outside the distribution of possible prices, that is, the reasonable possible prices that could be expected.

Either outcome seemingly may cause problems for mortgage lender clients. Evidence from the USA suggests that clients do sometimes pressure valuers to validate a pending sale price rather than provide objective opinions of market value (Smolen and Hambleton 1997⁴³). Lenders who fail to recognise the independent, unbiased nature of the valuers' role are more likely to allocate blame when the valuers' figure overruns the maximum loan-to-value ratio (Gallimore and Wolverton, *ibid.*⁴²). Conversely, valuers who believe their clients see validation of sale price as the valuers' objective may feel under pressure to minimise the occasions when they fall foul of this. These valuers may be more likely to reframe the valuation objective (*ibid.*⁴²).

The study, which utilised a postal questionnaire, concluded that a substantial minority of valuers in the sample modified their perception of the objective of a mortgage valuation; thereby reflecting support for an objective that is clearly different to that embodied in professional guidance with consequent implications for the valuation process. Valuers with arguably the least market affinity display strongest allegiance to "validate sale price" as the objective. When the valuation problem becomes the predominant activity, valuers were more susceptible to modifying the valuation objective. Task familiarity may not breed contempt for the normative objective but lowers resistance to changing it (Gallimore and Wolverton, *ibid.*⁴²).

Furthermore, USA valuers have shown a preparedness to alter valuation conclusions without justification at the request of larger clients (Worzala, et al. 1996⁴⁴; Levy and Schuck, 1998⁴⁵). In the USA, research has documented the extent of client pressure, especially lender pressure, in the residential real estate appraisal profession (Worzala, et al. *ibid.*⁴⁴). In real estate appraisal, a range of values is typically more appropriate than a point in time estimate, given the volatility of market conditions. However, an exact figure is required from lenders. Consequently, the presence of client pressure effectively eliminates the independence between lenders and appraisers.

Furthermore, the high rate of respondents indicating that they have experienced client pressure (over 90%), provides important evidence that the procurement process is in need of reform, particularly if appraisers are to maintain independence, and, thereby protect the integrity of the financial community and its markets (*ibid.*⁴⁴).

Levy and Schuck, (ibid.⁴⁵) conducted a study addressing the non-methodological issues affecting reported values to clients. The study consisted of a series of in-depth interviews using a qualitative approach because the general shortcoming of the behavioural approach has been the failure to place the practice of valuation within a real world setting. In this respect, qualitative research is an inductive approach, capable of tracking down patterns to develop theory.

The purpose of their study was to investigate claims that valuers are losing their independence and that clients are influencing reported values. The research succeeded in achieving a greater understanding of the process and the areas of potential client influence. Respondents confirmed that there exists a range of defensible values for any property and this results in a certain amount of flexibility for a valuer to value up or down depending on the influence of the client (Levy and Schuck, ibid.⁴⁵).

2.5 Impact on Valuation Practice

The valuation of residential property for mortgage purposes is traditionally based on DCC, which has an identifiable base in known cognitive techniques (Gronow, et al. ibid.³²). It is in effect a heuristic, and its strengths are derived from the fact that:

- its theoretical precepts are readily assimilated with houses compared by reference to their attributes, housing transactions by reference to market conditions (valuers understand it);
- it focuses the decision-maker on known quantities, earlier realised transaction prices revealed in the market (valuers are able to identify inputs to it); and,
- its application is not demanding where data is adequate (valuers know how to use it).

Gronow et al. (ibid.³²) established that the heuristic broke down in the face of a broad market collapse, such as that which occurred in 1988/9, and any usefulness of the

valuation method took a considerable period to be re-established. Furthermore, various inherent weaknesses undermined real continuing usefulness, while documented flaws in its application, exacerbated these weaknesses (Jenkins, et al. 1998⁴⁶).

In particular, revealed transaction price information contaminates the selection of evidence in the comparable process (Wolverton and Diaz, *ibid.*³⁸), and in the valuation decision itself (Jenkins, et al. *ibid.*⁴⁶). Yet this tentative transaction price is invariably revealed to valuers with the basis of the resultant valuation decision becoming unclear. However, during the entire period since the last market collapse, appraisal professionals in the UK, nonetheless, exclusively and continuously use DCC. The reason for this is straightforward, in that there is no perceived or viable alternative (Jenkins et al. *ibid.*⁴⁶). Yet uncritical adherence to the heuristic implies that the profession is poised to repeat the mistakes of the last cycle.

DCC has often failed in its narrow purpose, that is, the determination of house value for the purchaser. If this valuation tool also has a social function, that is the identification of inflationary and speculative tendencies in housing markets, it has failed in this broader purpose too (Jenkins et al. *ibid.*⁴⁶). The social and economic consequences of a poor heuristic are evident from the discussion in Chapter One. Loans to homeowners based on DCC calculations generated up to £10 billion of negative equity in the UK during the latter half of the eighties through to the mid nineties (*ibid.*⁴⁶).

However, the valuation methods themselves were not the cause of negative equity but the failure to apply corrective measures, and in this sense, the valuation methods became a contributory factor (Jenkins, et al. 1995⁴⁷). The monitoring of markets to identify discontinuities that catastrophically undermine the DCC heuristic is required. Research needs to consider not only supply data, such as bricks and mortar, but also social and economic data that impact on house prices. If the price or open market value of property is determined by supply and demand, then value is discovered when simultaneous equations representing a function of demand and a function of supply are solved. In particular, demand-related attributes that are price-sensitive are not explicit in the current residential valuation process, but should be.

Further, it is necessary to embody fundamental domain knowledge gained from best practice. Domain knowledge is wide and deep, it is not always easily articulated (Scott,

1988⁴⁸). Studies of appraisal decision-making have shown that though very competent, valuers were nonetheless unable to articulate their full decision process.

To-date there is not even a coherent classification of the inputs to the decision process (problem space) as existing reductions do not include all those properties and characteristics that are essential to understanding. Where precise functions do not exist in situations exhibiting high complexity, heuristics are commonplace. Any heuristics that consistently provides tolerable results merits enduring use in the absence of better alternatives. Furthermore, the heuristics used by valuers to problem-solve have yet to be unearthed.

The understanding of the appraisal process from both a theoretical and empirical perspective is weak (Gronow et al. *ibid.*³²). Thus, the behavioural research conducted over the last decade has aimed to bridge the gap in valuation research and add crucial empirical evidence to the bank of existing literature. In this respect, Mansfield (1998⁴⁹) considered the aim of behavioural research to:

- understand the nature of decision influences, for example bias and heuristics;
- examine the extent to which influences are assimilated by valuers; and,
- assess the impact of behavioural influences in the decision-making process.

However, it is not only the valuers' decision processes that should be considered, as the behaviour of the consumers of residential property also has an impact on valuation methodology (Daly et al. 1997⁵⁰). Consumers purchase residential property following a sequence of mental information processing which also involves cognitive functions in forming beliefs, attitudes and motivations. Behaviourists in the North of Ireland have argued for a number of years now that valuers need to account for buyer behaviour in the valuation process to improve valuation accuracy levels (Adair, et al. 1996⁵¹). The decision-making processes of residential homeowners is considered in detail in Chapter Three.

2.6 Summary

The review of behavioural real estate research was undertaken under three key headings, namely, information processing, price biasing effects and geographic familiarity, as suggested by Almond (ibid.¹⁵). However, the apparent difference between information processing and price biasing effects is negligible and as such future research may find it difficult to impose such a division. However, from the review undertaken it is clear that behavioural real estate research is an integral part of the overall residential valuation process. Indeed, a subsequent report produced outlines the boundaries of behavioural research in real estate emphasising the importance of a growing body of literature adopting a behavioural perspective (Black et al. 2000⁵²).

This Chapter has reviewed the issues in context, by providing a review of the theoretical concepts of behavioural research and its implications on the most widely used residential valuation method, direct capital comparison. The Chapter has also highlighted the factors that have been at the forefront of behavioural real estate research. Reference is made to key aspects of behavioural research and the reasons why research has emanated from these issues.

Consideration is also given to the impact of behavioural research on valuation practice, with evidence provided to suggest that valuation judgements are subject to a number of cognitive biases which impact on the overall valuation approach, and consequently the opinion of value. Beyond the specific issues of bias, are the problems associated with a number of weaknesses in current practice, stemming largely from subjective cognitive strategies employed by valuation professionals.

Jenkins (2000⁵³) identified the stages in the valuation decision-making process. Gronow, et al. (ibid.³²) highlighted moments within these key stages that are blurred or unclear. Current research efforts are concentrating on such moments and in particular on references to abstruse concepts like demand factors with elucidation of these factors being the main thrust of the research.

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3. CONSUMER BEHAVIOUR

3.0 Introduction

In recent years property market analysis has increasingly considered the behaviour of market participants. Academics, professionals and the property industry as a whole, have accepted behavioural real estate research as a valid framework for property market analysis (Gallimore, 1999¹). An important facet of the behavioural paradigm concerns the consumer of residential property.

Research in this field has focused on the behavioural concepts that affect the market's search and price-setting processes. In terms of the valuation process, understanding human decision-making processes is important, (Almond, 1999²) as ultimately, market participants and the interaction of supply and demand determine the price of property. The objective of a valuation is to predict the most probable price for a particular piece of real estate. However, appraisal alone does not always determine price. Some consumers do not commission an appraisal and some of those who do, fail to rely on it entirely when negotiating a purchase. In this respect, ten per cent of house purchase transactions in the UK do not involve taking a mortgage or requiring finance (MMC, 1994³).

Consequently, greater knowledge of consumers of real estate and their behaviours will lead to a better understanding and prediction of decision-makers actions in real estate markets (Gibler et al. 1998⁴). It has been argued that without an understanding of consumer behaviour, appraisers do not have systematic methods for minimising the zone of uncertainty around the most probable selling price (DeLisle, 1985⁵).

It is therefore necessary to understand the nature of consumer behaviour research and the implications of such research on the overall valuation process. This Chapter reviews the literature available, beginning with an overview of consumer behaviour research, the origins of such research from the field of marketing and previous real estate research into market participants.

3.1 Origins of Consumer Behaviour Research

Consumers are complex human beings driven by internal and external forces, some of which are beyond their control and many of which they are relatively unaware (Gibler et al. *ibid.*⁴). Research into consumer behaviour examines not only what behaviours consumers exhibit but also the reasons for those behaviours (*ibid.*⁴). In terms of the valuation process, the need to understand and incorporate market behaviour in appraisal has been recognised since the turn of the century. However, it was not until the 1960s that behaviourism became a distinct division of appraisal thought with Ratcliff (1963⁶) urging practitioners and theoreticians to view appraisal as a problem-solving and decision-making process.

Most real estate acquisitions would be considered high involvement goods requiring complex decision-making. In real estate parlance, a high involvement good refers to the most important financial decision of a borrower's lifetime (see section 1.1). The assumption is that a purchase act is preceded by a sequence of mental information processing involving a cognitive function in forming beliefs, an emotional component in developing attitudes, and a reaction to motivation to select and purchase a product (Gibler et al. *ibid.*⁴).

Behavioural research relevant to appraisal can be organised into macrotheoretical and microtheoretical elements. On a macro level, research is interested in demographic shifts as well as society's evolving values, beliefs and practices that affect how consumers interact in the marketplace. On a micro level, consumer behaviour focuses on individual human behaviours and the reasons behind these behaviours. The current research is on a microtheoretical level, exploring the behaviour of residential consumers. However, in order to review consumer behaviour research relevant to real estate appraisal, the origins of both in a real estate context are provided.

3.1.1 Macrotheoretical Research

The roots of macrotheoretical research were founded in the field of marketing. Basically macrotheoretical research focuses on comprehensive models that identify

the elements and linkages employed in buyer decision-making (DeLisle, *ibid.*⁵).

These models attempt to establish the links among the key steps in the pricing and acquisition process. The steps typically include:

- an awareness of need;
- intention to purchase;
- specification of evaluative criteria;
- search for alternatives;
- selection of an alternative;
- implementation of choice; and,
- monitoring and feedback.

During the 1970s decision processes in residential markets was considered by a number of Ph.D. candidates whose studies utilised macrotheoretical models (Brink, 1975⁷; Flowerdew, 1977⁸; Doran, 1977⁹). The general macro models of consumer behaviour were extended to the housing acquisition process with results suggesting that the housing acquisition process can be modelled in a useful or analytical manner (Brink, *ibid.*⁷). Flowerdew (*ibid.*⁸) found that the housing acquisition process is a special case of a multiattribute decision-making model in which the decision-maker is forced to satisfy conflicting objectives.

Having established that the housing acquisition process is compatible with general models of consumer behaviour, a key focus of macro research has considered family decision-making and its influence on the purchase of real estate. More specifically, a recent study established a conceptual model depicting how families make the decision to buy a new home (Levy and Lee, 2000¹⁰). A five-stage process was identified which encompasses the key steps outlined above. These models are significant to appraisal because they provide useful insights into the behavioural responses of market participants who, through the interaction of supply and demand, directly affect the price of property.

Furthermore, research suggests that the search behaviour for the housing product is compatible with the general model of buyer behaviour (Doran, *ibid.*⁹). The broad

nature of search behaviour suggests that the selection and adjustment of comparables should not focus on a narrow band of attributes, but should weigh all aspects of the housing product (DeLisle, *ibid.*⁵). An understanding of the broad level of market dynamics can help an appraiser evaluate the composition, evolution and level of effective demand for particular types of property.

3.1.2 Microtheoretical Research

Unlike macrotheoretical research, which addresses the links between concepts, microtheoretical research isolates each concept. This type of research concentrates on the individual concepts that fit into the market's overall decision-making processes. In particular, it focuses on human behaviour and the reasons behind these behaviours, with the concepts drawn from both sociology and psychology (Gibler et al. *ibid.*⁴). They are appropriate to the development of an increased understanding of real estate decisions in a consumer behaviour context.

The search process of homebuyers has received significant attention from behaviourists, especially the factors that affect the search process of buyers and their internal decision-making (DeLisle, *ibid.*⁵) This type of research has several implications for residential appraisers. For example, with regard to the selection of comparables, it suggests that appraisers should first separate the market into segments and then adjust the selection of comparables to echo differences in search behaviour. The force that drives a consumer to buy and use a good is called motivation and if an appraiser can successfully isolate the motivations of probable buyers, the selection of comparables with matching timeframes may be possible (Kruekburg and Purcell, 1974¹¹).

According to Gibler and Nelson (*ibid.*⁴) consumers seek and use information as part of a rationale problem-solving and decision-making process. The modes of information search and ultimately decision-making are a function of both internal and external influences on behaviour, which have been outlined in Table 3a, designed for the current study.

<i>Internal Determinants</i>	<i>External Determinants</i>
Motivation Perception Knowledge & Learning Attitudes Self-Concept Personality Lifestyle	Reference Groups Culture Sub-Culture Social Class Family

Adapted from Gibler et al. (ibid.⁴)

Table 3a Modes of Information Search

Initially, consumers search internally for historically gathered information (Bettman, 1979¹²; Punj, 1987¹³). Experience, length of time since last purchase and satisfaction with previous purchase will affect the consumers' reliance on internal information. As consumers purchase real estate infrequently, they rarely rely solely on past knowledge (Gibler, et al. ibid.⁴) and therefore, following an internal search will proceed to external information sources.

Research into the internal factors influencing housing choice has focused on two main issues, including family structure and husband-wife decision-making (Bernhardt, 1974¹⁴; Munsinger et al, 1976¹⁵; Hempel et al, 1978¹⁶). Such behavioural research provides insights into decision-making of buyers and reveals that a range of internal factors may have an impact on search patterns and prices. To account for such effects, appraisers should first attempt to profile the most probable buyer for a particular property, with adjustments reflecting differential search and decision-processes. This would lead to an improvement in the comparables targeted as well as the generation of more valid adjustments.

Rather than assuming perfect conditions, consumer behaviour research explicitly recognises the impact of situational factors on behaviour. These factors consist of the externalities, which may have an impact on the search, selection or pricing decisions. Situational determinants that can constrain the information search include the quantity and availability of information in the marketplace (Beatty and Smith, 1987¹⁷). Other factors that influence the search behaviour of homebuyers are the product determinants (supply-side attributes) and the factors considered important

(supply-side and/or demand-side attributes). The behaviour exhibited during the search process will depend on the decision criteria that the consumer is using to make a decision.

3.2 Decision Rules

Decision theory is an attempt to describe in an orderly way what variables influence choice. Consumers purchase goods and services for the benefits derived from their use. For a product to be considered, a consumer must know that it exists and that the product is capable of satisfying specified needs. With regard to residential property, the decision to purchase requires complex decision-making because real estate purchases are such high involvement goods. The criteria a consumer uses to choose between alternative products are the product determinants the consumer considers important. Consumers may make the purchase decision using compensatory or non-compensatory decision rules (Gibler et al. *ibid.*⁴).

With a compensatory decision rule the consumer identifies the important attributes, rates the alternative products on each attribute and selects the product that achieves the highest score. Using a simple additive rule the consumer chooses the product deemed to have the largest number of positive attributes and the least number of negative attributes. The weighted additive is a more complex compensatory rule whereby the relative importance of each product attribute also factors in the decision. The consumer computes a summated weighted score for each product on the salient attributes and selects the product with the overall highest score.

In contrast, non-compensatory decision rules do not balance all attributes and determine whether the positives outweigh the negatives. The consumer sets minimum standards and if a product does not meet the minimum standard on an important attribute then it will not be considered further. Using a conjunctive decision rule, the consumer sets minimum acceptable standards on all the important attributes. Alternatives that do not meet all of the set standards are eliminated which assists consumers in narrowing down the choices for further evaluation.

The lexicographic rule, which is also a non-compensatory decision rule, is where the consumer first ranks the attributes in terms of perceived importance. The alternatives are compared on the most important attribute. If one scores sufficiently high on the most important attribute then it is selected. If two or more score high then they are compared on the second most important attribute and the process continues until the tie is broken (Gibler et al. *ibid.*⁴).

However, consumers may use a combination of decision rules in choosing property, where they first use a relatively simple rule to narrow down the choice and then employ a more complex compensatory rule to make the final choice. Some criteria are more salient than others, and those attributes will have a greater impact in determining which property is selected. Whether a characteristic is salient depends on the alternatives and the consumers' evaluation of them.

Salient attributes that actually influence the evaluation of alternatives are known as product attributes (Alpert, 1971¹⁸). The real estate appraiser needs to identify which property characteristics are being used to screen properties and remove eliminated properties from the list of comparables. Otherwise, the analyst may overestimate the contribution of a certain attribute to value (Gibler et al. *ibid.*⁴). This is of importance to valuers but it has even greater importance to real estate agents. Although not significant to the focus of the current research, it could have relevance of the use of the research findings.

3.3 Research into Market Participants

Adair et al. (1996¹⁹) established that buyers and valuers perceive differently the relative importance of value-influencing factors. The research, which was undertaken in Belfast, indicated that there are statistically significant differences between both valuers and buyers across most of the salient variables (*ibid.*¹⁹). This has been the springboard for the current research, which examines in more detail the product attributes the consumer considers influence the value of residential property.

Conducting a valuation, utilising the traditional approach of comparative sales analysis, requires valuation expertise in the selection of the comparable properties and skill in the recognition of the key variables (Adair et al. *ibid.*¹⁹). Analysis of the variables and adjustment of the sale price of the comparables are based in part on the valuer's judgement and expertise in interpreting buyer behaviour (Grissom and Diaz, 1991²⁰). However, one of the main issues to arise from the research into market participants conducted in Belfast was to question whether valuers do in fact interpret the market in terms of buyer behaviour.

Mackmin (1985²¹) suggests that valuers traditionally categorise variables into two broad categories, those that are internal and those that are external to the property. In contrast to the internal factors of a property which are relatively easy to measure in the valuation process, the external factors are difficult to specify and measure. Essentially, those that are external, are macro influences, which determine the general level of property values, such as the general state of the economy, population, and employment.

Of particular importance to the current research was research which implied that valuers do not have a full understanding of how variables behave in contributing to the value of residential property (Greaves, 1984²²). More specifically valuers were criticised for not taking account of the importance of qualitative variables. Rather than ignore the human element and put non-measurable factors in a black box called "tastes and preferences", real estate practitioners could benefit from integrating consumer behaviour in the traditional valuation approach (Gibler, et al. *ibid.*⁴). This is the focal point of the current research, which sets out to establish which attributes influence the value of residential property from the consumers' perspective, paying particular attention to the qualitative factors.

The major characteristics impacting on value have been considered in a number of studies in recent years (Adair, 1992²³; Adair et al. *ibid.*¹⁹; Almond, *ibid.*²; Jenkins, 1992²⁴). However, it still remains unclear as to how factors and, in particular, qualitative factors, are perceived in the marketplace. Consequently, the research does not intend to list all the factors that influence the value of property, but to advance knowledge on the way that qualitative factors impact on the value of residential

property from the consumers' viewpoint. Regardless, current valuation methodology lacks a coherent classification of the inputs required to produce a valuation figure (Jenkins, et al. 1998²⁵) with the aims and objectives of this research addressing this deficiency in valuation practice.

3.4 Summary

The importance of consumer behaviour in the valuation process has not gone unnoticed by both academics and professionals. When sale price information is available, appraisers generally prefer the direct capital comparison approach because it allows valuers to analyse directly the results of buyer and seller interaction. The sale price is the end product of the valuation process, but when sale price information is unavailable, the only alternative is to focus on the transaction process itself (Grissom and Diaz, *ibid.*²⁰).

Thus, in times of acute data poverty, the emphasis shifts the orientation and becomes "behavioural". Since the 1960s, academics have encouraged valuers to adopt a behavioural perspective in the valuation process, which would take account of buyer behaviour more accurately. Even though practitioners have been implored to adopt a more user-focused approach, professional practice continues to ignore buyer behaviour, and to focus almost exclusively on the supply-side of the market. Indeed, our understanding of how consumers react to influences in the market continues in an opaque fashion. Thus, despite the research described in the review above, and the pressure from education, buyer behaviour remains largely ignored in valuation practice.

Overall it is clear from the existing literature that consumer behaviour is important, although the issues from a theoretical perspective are not fully understood. In this respect, it is also clear that there is a need for a fuller understanding of what buyer (consumer) behaviour actually constitutes in the valuation process, and thus determine both how and to what extent the valuation methods adopted by valuers account for buyer behaviour accurately (see section 1.5). In this respect, valuers can

not be expected to interpret the market in terms of buyer behaviour without a clearer picture of how this side of the market operates.

Furthermore, the housing market collapse of the late eighties led to a phenomenal number of legal cases against valuers for alleged negligence and in particular the valuation methods used by valuers came under scrutiny and criticism. Nonetheless, the valuation methods used by valuers in residential markets have gone unchanged and consequently, it is highly likely that should the market soar and collapse in the future there is no reason to suggest that negligence will not feature highly again in the court of law.

By incorporating the issues associated with buyer behaviour, valuation methodology would have the potential to interpret the market in a better way, akin to the actual market participants. An improvement in valuation methodology should lead to an improvement in practice, thereby reducing the occurrences of negligence that result from misinterpretation of the market.

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4. CROSS-NATIONAL COMPARATIVE RESEARCH

4.0 Introduction

During the latter part of the 1980s, Britain experienced a massive consumer boom. In 1988 the Government took action by increasing interest rates in an attempt to slow the economy down which resulted in house prices collapsing. This cyclical pattern is usual in the United Kingdom, but the amplitude of the swing, and the close relationship between fluctuations in the economy and the housing market, caused observers to blame the housing system for the strength of the boom and the subsequent slump (Clapham, 1996¹). The general premise is that the boom was fuelled to a large extent by increasing housing credit (ibid.¹).

Economic problems, in particular growing unemployment and job insecurity, left an escalating number of homeowners in arrears with their mortgage repayments. In the peak year of 1991, 8.7 per cent of homeowners with a mortgage were two months or more in arrears (Wilcox, 1995²). Furthermore, a historically high rate of repossessed houses by the financial institutions also peaked that year, with 75,540 households losing their homes (ibid.²). However, MacLennan and Gibb (1994³) report that only half the homeowners in the particularly recession-hit south of England believed that their homes had decreased in value. A disproportionately high number of owners (less than half) believed that their homes had not decreased in value. Consequently, the long-term impact on household behaviour may be slight because of the flawed knowledge of many homeowners of market conditions (ibid.³).

Thus, comparative analysis should offer considerable insight into the questions raised by the British experience of the late 1980s (Clapham, ibid.¹). Furthermore, the cyclical pattern demonstrated by the UK economy is not unique because national economies interact at both an international and global level. Historically, many national economies have paralleled each other, mirroring each other's booms and subsequent slumps. In particular, the US economy is regarded as a huge power in global terms having the ability to affect many other international markets. Articulating globally-orientated

economic functions at a local level is becoming more and more important in today's market environment.

This Chapter demonstrates the potential of cross-national research for deepening our knowledge and understanding of human behaviour. Comparative housing research has grown rapidly over the last decade in a multi-disciplinary field of studies which includes research strategies encompassing comparative housing sociology, comparative housing economics and comparative housing policy (Kemeny and Lowe, 1998⁴). With regard to sociology, Durkheim (1964⁵) states that comparative sociology is not a particular branch of sociology, but is sociology in itself.

Consequently, much of this Chapter is concerned with the sociological debate surrounding the issues relating to comparative research, with the arguments presented in section 4.1. The Chapter reviews comparative research and outlines the methodological issues relating to research adopting a cross-national perspective in section 4.2. The justification for undertaking a comparative study into valuation practice in light of globalisation is outlined in section 4.3. Details regarding the choice of countries for comparison are provided with the collaborative requirement of comparative research addressed in section 4.4. Finally, the practicalities and guidelines for conducting a comparative study are described in section 4.4.3.

4.1 Comparative Research

“Thinking without comparison is unthinkable”, (Swanson, 1971⁶).

The idea of science is largely based on two principles: that differences have to be explained in terms of other differences and similarities in terms of other similarities (Galtung, 1966⁷). These principles also underlie comparative research, which basically refers to a design whereby the same process of data collection and data analysis is carried out within a number of spatial units, normally these being nations or groups of nations (ibid.⁷). Therefore, research carried out in roughly the same manner in at least two nations is considered ‘comparative’.

Cross-national research is described as being 'indispensable' for establishing validity of the generalisations derived from studying something in one country (Inkeles and Sasaki, 1996⁸). The utility of cross-national research is emphasised by its ability to seek out not only the similarities but also the differences in the way things work in different national settings. Although an awareness of the virtues and even the necessity for more widely adopting a comparative approach to social research has been growing rapidly, very few systematic guides are available to those who pursue the approach, and suitable teaching materials are even rarer (Inkeles and Sasaki, *ibid.*⁸).

Scheuch (1989⁹) provides a concise guide to some of the most important comparative studies but emphasises that while these studies have made us 'data-rich', we may still be 'theory-poor'. However, Smelser (1968¹⁰) favoured "the method of systematic observation", in employing the comparative method for studying the social aspects of economic life. This approach was supported by Ragin (1987¹¹) and provided the platform from which to launch his defence of the more qualitative method, with which the current research approach is especially interested.

In the classic paradigm of comparative research, the goals of cross-national studies are ultimately theoretical (Bertaux, 1990¹²) and as such research methods should adopt a theoretical perspective. Comparative research allows variance arising from the spatial units and it is this variation that assists in determining the links, similarities and/or differences. Furthermore, it is necessary to use techniques that embrace whole societies. However, there has been little attention given to microsocial or qualitative techniques used on samples whose representativeness is unclear (Bertaux, *ibid.*¹²).

It follows that the first central goal of comparative research is "to develop concepts and generalisations at a level between what is true of all societies and what is true of one society at a point in time and space", (Bendix, 1973¹³). Comparisons of whatever types allow definition of the limits of generalisation in order to allow the testing of hypotheses. It is the work of grounded theorisation 'from the data up' that sheds light on these working hypotheses (Bertaux, *ibid.*¹²).

A second purpose is to build up a database of knowledge for domestic and foreign strategy (Antal, et al. 1978¹⁴). Comparative research can fill important gaps in

knowledge about how other countries deal with similar situations, about the background and effects of alternative strategies for solving common problems or for avoiding their emergence in the first place (Davenport, 1998¹⁵). Knowledge of other countries' approaches to any given policy will assist in assessment of the structural, institutional and cultural constraints, which govern their operation (ibid.¹⁵).

4.2 Qualitative Comparative Research

Virtually all empirical social research involves some sort of comparison (Ragin, ibid.¹¹). It provides the basis for making statements about empirical regularities and lends itself to the evaluation and interpretation of cases, which substantiate theoretical criteria (ibid.¹¹). The term "comparative" typically is used in the narrow sense to refer to a specific kind of comparison, that of the comparison of macrosocial units. The most distinctive aspect of comparative social science is the lack of continuity between methods and the apparent gulf that exists between qualitative and quantitative work. This is partly due to the fact that qualitative research strategies have dominated (ibid.¹¹).

Qualitative researchers tend to examine cases as wholes, and then compare whole cases with each other. Cases are viewed as combinations of characteristics referred to as 'configurations' (Ragin, ibid.¹¹). Thus, comparisons in the qualitative tradition involve comparing configurations and because it is interpretative by nature, it is referred to as empirical social science. It is common to define comparative research as research that uses comparative data from at least two societies. At a general level, comparativists are interested in identifying the similarities and differences among macrosocial units. However, in particular, those that are qualitatively orientated, seek to interpret the specific experiences and trajectories of specific countries (Ragin, ibid.¹¹).

The countries involved in comparative work are sometimes referred to as "units of analysis". However, units of analysis may be understood as data categories or theoretical categories, which has created a great deal of confusion in comparative studies. To clarify the issue it is necessary to distinguish between "observational unit" and "explanatory unit" (Ragin, ibid.¹¹). "Observational unit" refers to the unit used in data collection and analysis, and, "explanatory unit" refers to the units that are used to

account for the pattern of results that emerge. In terms of the current research, it follows that the observational unit refers to the research participants and the explanatory units are the countries investigated.

Most of the practical problems associated with comparative research concern the comparability of relatively dissimilar societies. Generally, the greater the theoretical content, or the empirical specificity, the smaller number of cases relevant to the investigation. Thus, from the perspective of main stream social science the opportunities present for testing theory are severely deficient.

However, as with the current research many comparativists are qualitatively orientated, and as such testing theory is not the focus of the research. Rather, their research is more orientated toward applying theory to cases in order to interpret them or generate more theory, which can be applied across a number of spatial units. Consequently, the interests and goals of comparative social science often dictate the design of the studies which may include a small number of cases and more often than not, there will be too few cases to permit useful statistical comparison. Typically, a small number of cases in a comparative study provide the basis for empirical generalisations (Ragin, *ibid.*¹¹).

It follows that the comparative method emanates from posing questions regarding empirically-defined processes leading to the detailed analysis of relatively small numbers of cases. This forms the most common types of investigation in comparative social science (Ragin, *ibid.*¹¹). Methodologically, qualitatively-orientated comparative research examines how different conditions or causes fit together in one setting which is then contrasted with how it fits together in another setting (Ragin, *ibid.*¹¹).

Comparativists tend to analyse each observational entity as an interpretable combination of parts as a whole. Therefore, the comparative method attends to configurations of conditions and it is used to determine the different combinations of conditions associated with specific outcomes or processes.

More importantly, the comparative method is based on “logical methods” (Gee, 1950¹⁶). Methodologically, it employs inductive enquiry, which is the method of agreement and the indirect method of difference (Mill, 1967¹⁷). This method utilises all available and pertinent data concerning the preconditions of a specific outcome and, by examining the

similarities and differences among relevant instances, its cause is elucidated. This aspect of the comparative method's character implies that statistical criteria are less important and it is, therefore, relatively insensitive to frequency. Consequently, the method would consider both configurations of the cases relevant since both results in phenomena of interest (Ragin, *ibid.*¹¹).

The comparative method is superior to the statistical approaches in several important respects, these being:

- the statistical method is not combinational by nature, with each relevant condition typically examined in a piecemeal fashion;
- the application of the comparative method may produce explanations which contain interpretative information leading to deviations between cases;
- comparativists do not have to prove that a sample of societies has been drawn from a particular population so that tests of statistical significance can be justified; and,
- the comparative method forces the investigator to become familiar with the cases relevant to the analysis.

The comparative method is qualitatively different from the statistical method, and more often than not, it is ideally suited to the type of questions that are the concern of comparativists. Initially, the boundaries of a comparative examination are set by the investigator (Walton, 1973¹⁸). Essentially, the comparative method is a case-orientated strategy focusing on comparing cases as wholes, that is, combinations of characteristics (Ragin and Zaret, 1983¹⁹). To make meaningful comparisons of cases as wholes, the investigator must examine each case directly and compare each case with all other relevant cases.

Questions concerning the consequences of different combinations of conditions can not be addressed with statistical approaches. The comparative method automatically highlights irregularities and requires the investigator to propose explanations for any

deviations found between the cases. This feature makes it especially suitable for the task of building theories and synthesising existing theories. Furthermore, the dichotomised nature of comparative work make it an ideal setting for examining methodological issues. Comparative work is the one branch of modern social science that accords high status to the qualitative analysis of a small number of cases (Ragin, *ibid.*¹¹). Qualitative comparative researchers are both holistic and interpretative in their approach to comparative materials.

4.3 Globalisation

In contemporary times, with increases in communications and technological advances the world is 'getting smaller', (May, 1997²⁰).

“Globalisation can thus be defined as the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa”,

(Giddens, 1990²¹).

The call for more comparative studies has its roots in many different kinds of forces. The major force is of course the growing internationalisation and the concomitant export and import of social, cultural and economic manifestations across natural borders. Labour and people flow between countries and the establishment of international organisations having no country as their natural base increases steadily. Consequently, the need for more precise and reliable comparisons has become part of a political and economic reality, and this is the driving force behind the demand for cross-national comparisons (May, *ibid.*²⁰).

Nowadays, the world is getting smaller, documents are sent via telephone lines, and videoconferencing is linking people across national borders and oceans. In essence, globalisation has changed our cognitive map. More and more companies have adopted a global outlook in which the world becomes their market. Such situations require appreciation of both cultural and societal differences among international markets and of their influence on consumer behaviour. Culture makes a difference in problem

recognition and/or identification and in the objectives motivating choice. Failure to understand these differences may lead to 'noisy' communication, misinformation and misunderstanding (Loudon and Bitta, 1993²²).

In particular, in recent years there has been an increased awareness of the importance of European valuation methodology and practice (McParland et al. 1997²³). Business expansion across borders has prompted the need for consistent valuation systems, especially for accounting and stock market purposes (Adair, et al. 1996²⁴). The introduction of unified accounting rules for special financial service sectors has already emerged, enabling useful cross-border comparison of values and performance (ibid.²⁴).

Furthermore, several associations of valuers have been formed at an international level with various objectives, including the standardisation of valuation concepts and definitions of value, setting international valuation standards and improving communication across borders (ibid.²³). Essentially, this is the strongest argument for conducting cross-national comparative research in the realm of valuation. Although the UK valuation profession may be considered well-developed, the debate reported by Mallinson (RICS, 1994²⁵), reveals a number of weaknesses in areas such as loan security valuations (ibid.²⁴). In this respect, ideas from other valuation traditions may be able to contribute (Downie, 1993²⁶) particularly, where the possibility to learn from each other's valuation experience and theory exists, aimed at counteracting such documented weaknesses.

This increase in awareness of practices in other countries has been brought about by the growing internationalisation of property activities, which has been specifically stimulated by the inception of the single European market for goods and services within the European region. Investigation of practices in other countries is a pre-requisite before comparisons between countries can be undertaken and before common solutions to common problems can be identified and applied. Analysis of practices in the three countries involved in this study is undertaken with subsequent comparisons being undertaken, because initial research suggested that each of the three countries investigated had similar property markets, using similar valuation procedures and practices with similar omission of consumer behaviour. These bases of comparison are discussed further in section 4.4.

4.4 Units of Comparison

Basically, the assumption guiding this research has been that the phenomena under study could be elucidated best by exploring their existence in at least two valuation structures. The main aim of the research is to determine whether valuers account for buyer behaviour accurately and to achieve this, initially, the factors which impact on value from the consumers' perspective are identified. Obviously, to compare wholly identical phenomena would have been of little interest and to compare totally dissimilar ones would have made little sense (Etzioni-Halevy, 1990²⁷). As such, it was deemed appropriate to investigate practices in three countries with very similar political, social, economic and valuation structures, namely, the United Kingdom, Ireland and Australia.

In terms of national structures, the choice fell on well-established western democracies, with similar parliamentary systems and in particular, valuation structures. Choosing countries with such similar backgrounds should help mitigate some of the difficulties normally associated with comparative research. However, having reviewed the literature relating to cross-national studies, it is evident that familiarity with national systems and structures is a prerequisite, and a researcher should only attempt to include one unfamiliar country. Consequently, Australia constitutes the unfamiliar spatial unit with both the UK and Ireland being very familiar to the researcher, who has undertaken previous property-related studies in both these countries.

Øyen (1990²⁸) assumes that research, comparative or otherwise, is guided by the principles of least resistance or invitation by opportunity. Available data and methodological tools including accessible networks and funding, are central to research strategies, although rarely discussed. The choice of countries to be included in the study was finally determined by the fact that the researcher had easy access to the three countries, in terms of data, language, funding and other resources. Thus, the three countries were highly suitable to cross-national research.

Each country's political, social and economic and valuation systems, structures and practices, are described individually in the following subsections. It is necessary to state the extent of the information provided for the three countries for later comparative

analysis. Hence, each country is discussed in terms of demographic information including population statistics, geographic location, and the political systems and structures prevailing in the three countries. Subsequently, the main similarities and differences are highlighted and justification of the suitability of the countries considered.

4.4.1 Choice of Countries for Comparison

In the United Kingdom, the research was conducted in the city of Cardiff, which is situated in Wales, in the south-west of Britain. Wales has a national population of 2.9 million, with the population of Cardiff standing at 315,000 (based on 1996 estimates). The main reason for conducting the research in Cardiff was because of accessible resources and data. As such, it is the researcher's main base with the University of Glamorgan (home institution) located in the Cardiff area. Furthermore, in terms of the UK as a whole, the Cardiff property markets are the most familiar to the researcher.

In Ireland, the research was conducted in Cork city, which is located in the south of Ireland. Ireland has a current population of 3.8 million with the population of Cork nearing 200,000. It is home to the researcher, thus providing the justification for undertaking the research in this region, as it is very familiar to the researcher.

The research in Australia was conducted in Queensland, which is the second largest state in Australia. The main reason for conducting the research in Queensland was that the collaborating institution, the Department of Land Management at the University of Queensland is situated in this state. It is necessary that comparative research is undertaken in close collaboration with a national institution, in particular because the researcher is unfamiliar to the spatial unit. The University's main campus is situated in Queensland's capital city Brisbane and is called the St. Lucia campus.

However, the Department of Land Management is situated 1 hour by road west of Brisbane, at the Gatton campus, which specialises in agricultural and equine studies. The University of Queensland has five different campuses in and around the Brisbane area. In this respect, the geographical size of Australia is highly pertinent, as towns and

cities accessible by road from Brisbane, that is, within two hours' drive from the city, are considered to be within easily computable distance for travelling to work.

Brisbane city has a population in excess of 1 million and as such was not deemed comparable with Cardiff and Cork. The second largest city in Queensland is called Cairns and is situated at the farthest point north of Queensland, 1,807 kilometres from Brisbane²⁹. Obviously this city was not accessible because of the extensive travelling distance. However, the third largest city in Queensland is a city called Toowoomba with a population of 104,000 (Toowoomba City Council, 1998³⁰). This city was ideally located from the Gatton campus at only a twenty-minute drive west.

Further research showed that Toowoomba is Queensland's largest inland city and it is the regional centre for the Darling Downs area serving a regional population of 200,000. In this respect, Toowoomba was far more comparable with Cardiff and Cork than any other city considered during the research. As stated earlier, research relies heavily on both the principles of least resistance and/or invitation by opportunity and this is highly relevant to research that is conducted in an unfamiliar spatial unit.

The Department of Land Management provided the resources necessary to undertake research in Queensland. Firstly, the Head of Department, Peter Elliott provided an office at the Gatton campus, access to the libraries at Gatton and St. Lucia, and put the researcher in contact with a number of Ph.D. candidates. Richard Reed, a lecturer and Ph.D. candidate was the most helpful in this respect, introducing the researcher to both campuses and offering assistance and guidance throughout the research period. Furthermore, an interview with the Real Estate Institute of Queensland (REIQ) was conducted jointly because both researchers required related information and thus exploited the situation to advantage.

A period of four months was spent at the University of Queensland whilst a literature search was undertaken prior to the primary data collection. It was imperative that the researcher became familiarised with the relevant systems in operation in Queensland, experienced the property market conditions prevailing at that time and also gained valuable introductions to potential research participants, in particular, valuation experts

practising in Toowoomba. The research undertaken in Toowoomba is discussed in some detail in Chapter Five.

4.4.2 Methodological Differences and Similarities

Both British history and culture have influenced many nations around the world. In particular, some parts of the world received substantial numbers of British emigrants, and developed into what are called daughter nations (M.E.O.E, 2001³¹). These colonies eventually became self-governing areas called dominions and to some degree, Australia and to a lesser degree Ireland, fit this pattern. Although independent nations now, much of the British law, institutions and customs introduced to Australia and Ireland have been retained.

Specifically, the British system of parliamentary government, often referred to as the Westminster model, has been adopted in many parts of the world, including Australia and Ireland. Originally, it was a vehicle for Royal authority however, the system gradually evolved into a representative government, and finally became a means through which democracy could be exercised. Wales is governed as an integral part of the UK and as such it falls within the British parliamentary government. Consequently, it would seem appropriate to recognise the high degree of similarity between these three countries in terms of their governmental structure.

Furthermore, it follows that the social, economic and therefore the valuation system and structure in operation in the three countries would also display distinct similarities. As outlined in Chapter One, not only do the three countries have professional institutions but the extent of regulation, rules of conduct and code of ethics all display a high degree of similarity. In this respect, the United Kingdom and Australia follow a very similar pattern in their professional guidance for corporate members, with the guidance in Ireland being similar in direction less detailed in statement.

However, having reviewed the guidance available to valuers in Ireland, valuers are expected to be acquainted with and to follow such UK procedures as the RICS Red Book (RICS, 1995³²). Furthermore, should an action be brought against a valuer for

negligence, then the literature available in the public domain will be considered, and this includes both the Red Book and British case law. Thus, the operation of the three valuation systems is deemed to be very similar. In particular, with regard to valuation methodology, the methods employed for residential mortgage purposes are the same, with the comparative method being the main valuation tool.

4.4.3 Mitigating the Difficulties of Cross-National Studies

Jowell (1998³³) acknowledges the formidable obstacles in the way of achieving rigour in comparable studies and underlines the pitfalls of cross-national measures, suggesting a number of partial remedies that the current research has adopted. It is suggested that “bigger” is usually “worse” and recommends routine cross-national collaboration in both the analysis and interpretation stages - not just in design, development and execution - among scholars in each of the nations investigated (ibid.³³).

Furthermore, the unique and largely intractable measurement difficulties faced by cross-national studies are hardly a reason for abandoning them, as they are increasingly important with globalisation of the world economy and moves in Europe for cross-national governance (Hantrais and Mangen, 1996³⁴). Jowell (ibid.³³) offers ten practical rules of thumb for mitigating the problems associated with cross-national research and these have been adhered to in the current research. Table 4a outlines the ten rules alongside the implication of each rule.

	Rule of Thumb	Implication
1	Do not interpret survey data from an unfamiliar spatial unit	Ensure Cross-National Collaboration
2	Analysis should resist comparing too many countries	Use only one unfamiliar country
3	Aggregate-level data should be considered	Do not compare national data sets in vacuo - include demographic information and geographic similarity
4	Openness about limitations of the study	Define common concepts to measure across different cultures
5	Stringent and well-policed ground rules	Equal rigor in all countries investigated
6	Initially, suspend belief in any major differences discovered	Analysis of data should be undertaken following data collection in all countries investigated
7	Confine study to the smallest number of countries in accordance with the aims of the study	Do not interpret data from unfamiliar countries
8	Undertake multinational proving of research instruments	Pilot in each country investigated
9	Include detailed methodological reports regarding each participating nation	Each country initially considered as a configuration and then compared with other configurations
10	Employ cognitive interviewing techniques to improve validity and produce hard evidence	Adopt a suitable data collection device that is useable in all countries investigated

Adapted from Jowell, (ibid.³³)

Table 4a Practical Rules for Cross-National Studies

It is suggested that if these practical rules were even roughly adhered to, the difficulties incurred with cross-national research would be lessened (ibid.³³). Thus, it would seem vital to highlight how these rules influenced the design and implementation of the current research methodology, which are discussed in detail in Chapter Five.

Firstly, cross-national collaboration with the University of Queensland was established with the unfamiliar country at the inception of the research programme. This was aimed at mitigating the early difficulties encountered by a lack of local knowledge and had Australia proved unsuitable for comparative analysis it provided the opportunity to

choose another country. Furthermore, it provided essential resources for the researcher as well as imperative introductions to valuation experts operating in Toowoomba. It facilitated the compilation of aggregate level data such as population statistics, geographical information and a background to the economy in Queensland, and in particular Toowoomba.

4.5 Summary

This Chapter has reviewed the issues relating to cross-national comparative research. It outlines the methodological issues relating to research that adopts a cross-national perspective. Furthermore, the reasons and justifications for undertaking a comparative study into valuation practice in light of globalisation is discussed with details regarding the reasons for the choice of countries for comparison provided. Additionally, the collaborative requirement of comparative research is addressed with the practicalities of undertaking a comparative study described. It sets the scene for Chapter Five, which discusses in some detail, the research methodology adopted for the studies in each of the three countries investigated.

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5. RESEARCH METHODOLOGY

5.0 Research Methodology and Empirical Work

This chapter explains and evaluates the research methodology adopted. It discusses how the research aims have influenced the choice of methods used and critically examines previous methodologies adopted in the behavioural paradigm of real estate. The methodological procedures are also addressed.

5.1 Research Aims

The aims of the research will invariably decide the nature, design and style of the research instrument (Turner, 1995¹). The most important condition for distinguishing between various research strategies is to identify the type of question being asked (Yin, 1991²). The main aim of the research is to determine whether the valuation methods adopted by valuers account for buyer behaviour accurately. Consequently, to achieve this aim, the following objectives emerged as the core of the study:

- to undertake cross-national comparisons in the United Kingdom, Ireland and Australia with regard to providing a clearer understanding of the factors related to demand;
- to identify the attributes which impact on value from the consumers' perspective;
- to identify the leading indicators capable of warning of changes in market conditions;
- to assess critically the effects of lender pressure on the valuation methods used by valuers; and,
- to determine whether valuation methodology coupled with lender pressure forces valuers to overlook the issue of sustainability.

To resolve these aims and objectives there are a number of questions that need to be addressed. Each of these aims required the research to find answers to a series of 'how',

‘why’ and ‘what’ questions. Firstly, it was necessary to examine buyer behaviour and establish the factors that are considered to influence the value of property, from the consumers’ perspective. Secondly, it was necessary to establish how and to what extent the valuer considers buyer behaviour in the valuation process. Thirdly, it was necessary to elicit from valuers what they perceive to be the leading indicators capable of warning of changes in the market place. Fourthly, it was necessary to discover how valuers approach the issue of economic sustainability and to consider the consequences of lender pressure on the economic sustainability of residential mortgage valuations. Finally, cross-national comparisons in the United Kingdom, Ireland and Australia were undertaken based on the above aims.

5.2 Research Methods

Once the specific focus of the research has been established consideration must be given to the overall research paradigm. Creswell (1994³) presents two choices available to the researcher namely, qualitative and quantitative. The decision to adopt a qualitative or quantitative approach should primarily be a practical matter of deciding which approach is most appropriate to the research question (Bryman, 1988⁴).

Qualitative Research	Quantitative Research
Research problem: How? Why?	Research problem: Who (how many)? What (how much)?
Literature review: Exploratory - what variables are involved? Constructs are messy, lacks a theory base Research questions are developed	Literature review: Explanatory – what are the relationships between the variables, which have been previously identified and measured? Hypotheses are developed
Paradigm: phenomenological/interpretative	Paradigm: positivist
Methodology: for example, ethnographies, grounded theory, or case study	Methodology: for example, survey or experiment

Adapted from Perry (1996⁵)

Table 5a Aspects of research methods.

In terms of the current research, it is not intended to enter into a debate of quantitative versus qualitative, but an awareness of the strengths and weaknesses of both the positivist and phenomenological paradigms must be identified before a decision to choose a particular strategy is adopted (Perry, *ibid.*⁵). Thus, a brief overview of both methods in light of this research's aims is provided with consideration also given to the issue of "triangulation", which is seen as the device to optimise the use of the two paradigms in the research context.

5.2.1 Quantitative Research

Quantitative research adheres to the standards of strict research design developed before the commencement of the research (Sarantakos, 1993⁶). As the name suggests, it is concerned with quantifiable data gleaned often from large numbers of sources and utilises some form of statistical analysis. In terms of research instruments, Table 5a identifies experiments and surveys as the two main approaches highlighted within texts. Babbie (1990⁷) defines the two as follows:

Experiments are research methods, which involve the controlled manipulation of an independent variable to determine its impact on a dependent variable.

Surveys include cross-sectional and longitudinal studies using questionnaires or structured interviews for data collection with the intent of generalising from a sample to a population.

The techniques seek data in numerical form, which can then be analysed and the results presented by a variety of means including tables, charts, graphs and statistics (Oliver, 1997⁸). The concepts, variables, and hypotheses are chosen before the study begins and remain fixed throughout. Consequently, quantitative research techniques are suitable if the purpose of the study is to support or reject an existing theory. The current research is concerned with developing theory based on the experiences of residential homebuyers. It is inductive in nature and as such falls within the parameters of qualitative research.

5.2.2 Qualitative Research

The choice of research strategies depends on the nature of the problem to be addressed. Research questions that ask about 'what', 'how' and 'why', which can not be answered with a 'yes' or 'no' response, but require a description or discussion fall within the parameters of qualitative research (Perry, *ibid.*⁵). In order to achieve the research aims set out above it has been necessary to view the topic from the interviewees' perspective, that is, to understand the decision-making processes of the consumer of residential property and explore the attributes considered to influence value.

The behaviour of homeowners is therefore examined through the collection of attitudinal data, which is the core of qualitative research and as such provides the justification for adopting such a method in the current research. Further, the research explores how the valuer treats buyer behaviour within the valuation process, adopting a mixture of both qualitative and quantitative approaches.

The qualitative methodology requires the researcher to listen to informants and to build a picture based on their thoughts (Creswell, *ibid.*³). The main aim of qualitative research is to provide information leading to patterns or theories that assist in explaining a phenomenon. It focuses on human interaction and meaning viewed from the informants' viewpoint in everyday life situations. Furthermore, it aims to generate practical and theoretical truths formulated as interpretative theories (Jorgensen, 1989⁹).

Qualitative research is socially concerned, cosmopolitan, and, above all, it is objective (Kirk and Miller, 1989¹⁰). The language used in qualitative studies should be personal, informal and based on definitions that evolve during the study. Table 5b was developed by the author to provide a concise view of the qualitative research designs frequently found in the human and social sciences.

Ethnographies	Case Studies	Phenomenological Studies	Grounded Theory
The researcher studies an intact cultural group in a natural setting over a prolonged period of time by collecting observational data (Wallen and Fraenkel, 1991 ¹¹).	The researcher explores a single entity (the case) bounded by time and activity and collects detailed information by using a variety of data collection procedures during a sustained period of time (Merriam, 1988 ¹² ; Yin, <i>ibid.</i> ²).	Human experiences are studied through detailed descriptions of the people being studied. The process involves studying a small set of subjects through extensive and prolonged engagement to develop patterns and relationships of meaning (Dukes, 1984 ¹³ ; Oiler, 1986 ¹⁴).	The researcher attempts to derive a theory from data gathered through multiple stages of data collection and by the refinement and interrelationship of categories of information (Strauss and Corbin, 1990 ¹⁵).

Table 5b Qualitative Research Designs

In terms of the current research the researcher is required to identify the attributes which are considered to influence the value of residential property from the homebuyers' perspective and then explore further how the valuation expert treats buyer behaviour within the valuation process. This was undertaken through stages of data collection in three countries with categories of information emanating. As a consequence the grounded theory research design seemed appropriate and is discussed in more detail in the following section.

Having established that a qualitative research methodology is the most appropriate, incorporating qualitative techniques, it was decided that the most worthwhile instruments available for data collection were interviews and only if necessary, questionnaires. There are a number of different interviewing styles available including highly structured standardised, highly structured, moderately structured and non-structured (Millar et. al. 1992¹⁶). Turner (*ibid.*¹) reduced these to three broad categories encompassing the standardised formal interview, the semi-structured interview, and the unstructured informal interview.

The formal standardised technique, as the name suggests, adheres to a predetermined formal structure, and is rigid in its approach. It is employed in quantitative research

(Sarantakos, *ibid.*⁶), and as a consequence it is deemed unsuitable for the current study. The semi-structured interview lies somewhere between the structured and unstructured with the degree of rigidity, focussed depending on the research objectives. The informal interviewing techniques are characterised by the fact that questions are left open, allowing respondent's the freedom to formulate responses. The current research will use a mixture of both the informal and semi-structured approaches and these will be discussed in more detail in the consumer and valuation studies, respectively.

5.2.3 Triangulation

The theory behind triangulation is that both quantitative and qualitative methods can be utilised as different approaches to the same research problem. Webb, et al., (1966¹⁷) suggest that social scientists are likely to have more confidence in findings derived from more than one form of investigation. However, some observers suggest that the combinations of the two approaches are incompatible as they come from fundamentally varying positions (Bryman, *ibid.*⁴). Whilst there are positive and negative arguments regarding the combination of the methods, the triangulation approach has been used in a number of studies and as such there is no apparent reason why they cannot be combined successfully.

Furthermore, researchers' reasons for combining the two approaches will vary (Bryman, *ibid.*⁴). With regard to the current work the mixture of two approaches is utilised in the valuation study, a qualitative interviewing approach combined with a pre-interview postal questionnaire. The approach is attractive for the following reasons:

- it provides a more complete picture by combining the static views of valuers with the procedural views gleaned through interviews (Bryman, *ibid.*⁴);
- any bias associated with one approach will be eliminated or neutralised when used in conjunction with another approach (Creswell, *ibid.*³); and,
- the validity of the results are enhanced with the different approaches providing mutual confirmation (Bryman, *ibid.*⁴).

Details of the research strategy, which triangulated the two approaches of qualitative and quantitative research approaches, is provided in more detail in the valuation study 5.5.

5.2.4 Grounded Theory

The ultimate goal of this research project has been to build theory through the analysis of qualitative data that can then be applied to the wider residential property market. One of the main reasons for conducting a qualitative study is that it is exploratory in nature; little has been written about the topic or population under investigation. Thus, theory relating to consumer behaviour in relation to residential property valuation is sparse, and, therefore worthy of investigation.

Previous research into consumer behaviour has considered the decision-making processes of residential homeowners utilising both macrotheoretical and microtheoretical research founded in the field of marketing (DeLisle, 1985¹⁸). However, rather than consider consumer behaviour from a marketing perspective focused on building models of buyer behaviour and identifying the linkages in these models, the current research specifically examines value formation from the consumers' perspective. As such, it represents a new domain of enquiry, especially in view of its qualitative research approach.

Grounded theory methodology and procedures are now among the most influential and widely-used modes of conducting qualitative research when generating theory is a researcher's principle aim (Kirk and Miller, *ibid.*¹⁰). This reflects the great desire for theoretical explanations emanating from the use of qualitative materials and their analysis (Strauss and Corbin, 1997¹⁹). Since qualitative data is gathered in the real world, it is possible to develop theories, which can be tested on a wider audience, perhaps using quantitative techniques (Strauss and Corbin, *ibid.*¹⁹). However, the use of grounded theory does not have to result in the building of a total theory (Henwood and Pidgeon, 1995²⁰). It is argued that it is a worthwhile aim of a Doctoral Thesis to identify the relevant features of a corpus of data, and explore more

fully the relevant properties of a limited set of categories (Turner, *ibid.*¹). Furthermore, it is considered important that the researcher draw on professional experience and a wider understanding of the subject area, particularly if the research is to generate new theory from qualitative data (Strauss, 1987²¹; Hughes, 1994²²).

5.2.5 Behavioural Approaches and Property Research

Behavioural real estate research has escalated from a formal division of appraisal thought in the 1960s to the current day, where it is viewed as a valid framework for property research as a whole (Gallimore, 1999²³). The research strategies employed within the behavioural field have in the main been quantitative in nature. However, studies of appraisal decision-making have highlighted the fact that although very competent, valuers are nonetheless unable to articulate their full decision process (Scott, 1988²⁴; Jenkins, 1992²⁵).

Consequently, more recent behavioural research aimed at providing a view of actual decision-making behaviour, has exploited and developed techniques including process tracing protocols, the controlled experiment and field surveys (Diaz, 1998²⁶). In the US, a behavioural investigation of the residential appraisers' decision-making processes, adopted a process tracing technique to compare the appraisal process employed by appraisers against the normative process suggested in academic and professional texts (Diaz, 1987²⁷).

Later studies considered the issue of valuation bias, in which appraisers were required to produce a valuation, based on specific amounts of information provided (Wolverton, 1996²⁸; Diaz, 1997²⁹). Further, research has been conducted involving the use of postal questionnaires aimed at gaining a response from a wider audience (Diaz and Hansz, 1997³⁰). However, Almond (1999³¹) concluded that the use of postal questionnaires to investigate valuation bias is far too removed from practice, in that the study is conducted in an artificial setting which is out of the researcher's control.

Research undertaken in the UK, also investigating bias in valuation methodology adopted a quantitative format employing postal questionnaires (Gallimore 1994³²; 1996³³). A quantitative study investigating the key factors influencing the value of

residential property also utilised a questionnaire, which was sent to consumers and valuers in Northern Ireland (Adair, 1992³⁴; Adair, et al. 1996³⁵). Building on the research conducted in Northern Ireland, a qualitative perspective has been adopted for the current study, which in recent years has received acceptance from academics world-wide.

Such property research has focused largely on quantitative techniques, at a time when behavioural research is becoming the dominant focus for real estate investigations. Behavioural perspectives require, among other things, attitudinal data, which is the desired result of qualitative research. As such, the call for the wider use of qualitative approaches and techniques within the current behavioural paradigm is justified. It has been argued that the technique of ethnography allows for the valid interpretation of semi-structured interviews thereby allowing for the generation of theory (Boydell, et al. 1997³⁶).

Turner (ibid.¹) investigated environmental tenant risk adopting a qualitative approach utilising both semi-structured interviews and questionnaires. Other studies investigating the processes of residential valuers have been concerned with the field of knowledge engineering, in which the incorporation of qualitative techniques, namely, interviews and observations, have been used to ascertain what the valuer actually does (Scott, ibid.²⁴; Jenkins, ibid.²⁵). Elsewhere, Levy, a keen advocate of the behavioural paradigm, has been employing a qualitative unstructured format in the investigation of client feedback (Levy and Shuck, 1998³⁷). Their study comprised a series of in-depth interviews with senior New Zealand Registered Valuers addressing the topic of “non methodological factors affecting reported values to clients”.

Other research found that student valuers are susceptible to context affects (Levy, 1997³⁸). The ease and inexpense of utilising students in a sample explains its popularity among university researchers but such studies seldom produce data of any general value (Babbie, ibid.⁷). Furthermore, in terms of setting a real world situation, a classroom provides an inappropriate environment with students who have no practical experience, and, as such, improvements could be made to studies using students as research participants (Almond, ibid.²⁹). Levy has been engaged in designing studies to test the robustness of these results among experts (Diaz, 1998²⁴).

5.2.6 Sampling Methods

The sampling procedures employed in a qualitative research design correspond to the philosophy of this type of approach, in that they are less structured, less quantitative and less strict than the quantitative techniques (Sarantakos, *ibid.*⁶). These studies employ a form of non-probability sampling, such as accidental, purposive, snowball or theoretical sampling. The methods are biased in nature because of the underlying principles of a qualitative framework, which is perceived to be an investigation process, where social phenomena are studied by contrasting, comparing, replicating, cataloguing and classifying the object of a study (Miles and Huberman, 1984³⁹). Therefore, making decisions about sampling before the study begins is neither appropriate nor useful in qualitative studies.

Theoretical sampling will direct the researcher to the type and number of units considered suitable for the investigation, and ultimately the sample size will be considered sufficient when it reaches the point of saturation. This form of sampling has been well established in the context of grounded theory, and is characterised by the fact that the collection of data is controlled by the emerging theory (Burgess, 1984⁴⁰). In other words, the researcher has to constantly look for new units and data, justifying the theoretical purpose for which each additional group is included in the study. The researcher who employs theoretical sampling will continue adding new units to the sample until the study has reached a point of saturation, that is, until no new data are produced through the inclusion and analysis of new units.

When purposive or accidental sampling procedures are utilised it is up to the researcher to decide when the number of respondents included has reached sufficiency, since actual numbers is not of primary importance to the study. In these cases the sampling size is evaluated in the context of the study, on the basis of criteria and theoretical principles not known to the researcher at the beginning of the investigation. In such cases representativeness relates to quality of information rather than quantity of respondents, and generalisations are associated with quality rather than with quantity (Sanatakos, *ibid.*⁶). The purposive technique is suitable if the objective of the research is to study a small subset of a larger population, in which many members are easily identifiable but the enumeration of them all would be nearly impossible (Babbie, *ibid.*⁷).

The technique requires the researcher to purposely-select subjects thought to be relevant to the research topic (Sarantakos, *ibid.*⁶).

However, irrespective of the sampling methods chosen, several sampling parameters have to be considered before the commencement of a qualitative study. Researchers are required to make certain decisions at the outset of the research project with regard to the respondents who will be studied, the setting where research will take place, the events and processes to be investigated, and the time period during which research will be conducted.

5.3 Overview of Methods Adopted

The current research adopted a qualitative approach using a grounded theory research design. The data collection devices utilised a mixture of both the informal and semi-structured interviewing approaches. However, as the design and style of the research instruments must correlate with the aims of the research, the methods used varied across the preliminary study, the consumer study and the valuation study, in accordance with their individual aims.

The preliminary study used an informal interviewing technique because the research was exploratory in nature. Its main aim was to develop a sampling method and a semi-structured interview schedule, which would be capable of use in a cross-national comparative study. The consumer study was designed around the language used in the preliminary study, which was personal, informal and based on definitions that evolved during the interviews. Thus, a semi-structured approach employing an interview schedule containing both open and closed questions was used and is discussed further in sections 5.4, 5.5, 5.6 and 5.7.

With regard to the valuation study, a study pack was designed aimed at providing the valuation experts with an introduction to the current research. It also provided the researcher with a structure for discussion at the subsequent interviews. The interviews are qualitative in nature employing a semi-structured interviewing technique in

conjunction with a postal questionnaire. The development of the valuation study including the design of the interviews is discussed in section 5.8.

5.4 Consumer Study

The focal point of the consumer study is to examine the behaviour of residential purchasers. The decision-making processes of the consumer of residential property and the attributes considered to influence value were explored. The qualitative approaches adopted were concerned with obtaining attitudinal data. Furthermore, the methods used permitted the development of sampling methods and a semi-structured interview schedule in line with the principles of grounded theory. This occurred during the preliminary study conducted in Australia with consumers of residential property.

When undertaking cross-national research it must be remembered that researchers should be familiar with the systems and structures in each of the countries under investigation. The researcher is familiar with two of the countries, namely the United Kingdom and Ireland, having undertaken previous studies in each of these countries. For this reason it was felt that the researcher needed to become familiar with the systems and structures in Australia at the outset of the research programme.

Furthermore, with regard to the design of the research instruments it was felt that a research instrument designed on studies in the United Kingdom and subsequently used in Australia may not be reliable, as the researcher is alien to Australia. On the other hand, a research design formulated during investigations with consumers in Australia would be usable in the other two countries because of the researcher's ability to draw on previous experience and professional judgement. It is considered important that the researcher draw on professional experience and a wider understanding of the subject area, particularly if the research is to generate new theory from qualitative data (Strauss, *ibid.*²¹; Hughes, *ibid.*²²).

Qualitative studies require the imposition of some sampling parameters, at the commencement of the investigation. Researchers are required to make certain decisions at the outset of the research project with regard to the respondents "who" will be

studied, “the setting” where research will take place, “the events and processes to be investigated”, and “the time” when research will be conducted (Sarantakos, *ibid.*⁶).

Furthermore, for comparative purposes a comparable sample had to be identified in each country. It is a vital principle of cross-national comparative research that the categories targeted are broadly similar, to ensure that the samples targeted are likely to demonstrate the same characteristics and are representative of comparable populations. Following a thorough investigation of the hierarchy of residential property markets in Australia the following sampling parameters evolved:

Who: Consumers of new-build residential property (detached new-build residential properties appear comparable to the new-build residential stock found in the UK and Ireland).

The setting: At the purchase property address (providing advantageous observational data as well as providing the researcher with a context for each individual respondents home-buying experience).

The events and processes to be investigated: The attributes which impact on value from the consumers’ perspective having regard to their recent home-buying experience aimed at providing a clearer understanding of the factors related to demand.

The time: The preliminary study was undertaken in January 1999. The pilot and main study interviews were conducted a year later in each of the other participating nations. The research had a divisional nature in that a number of months were spent in each of the countries investigated during the research programme.

These were the only parameters imposed at the commencement of the research, which began with a preliminary study aimed at developing a comparable sampling method and interview schedule.

5.5 Preliminary Study

Qualitative methodologies, more specifically grounded theory, require the researcher to listen to informants and to build a picture based on their opinions (Creswell, *ibid.*³). This was the underlying principle attached to the exploratory investigations. The interviews conducted with homeowners permitted the development of an interview schedule that evolved as a result of discussions with interviewees and was designed around the language used in the study. Appendix IV provides details of the interview schedule.

In marketing research, the type of interviewing process adopted is known as convergent interviewing. It is particularly useful in exploratory research about a topic which has no established theoretical base or methodology (Dick, 1990⁴¹). Essentially, it allows the researcher to refine the questions after each interview to converge in on a topic area. Thus, arising from the continuous refinement of method and content the research instruments evolve. Each interview is almost completely unstructured and then proceeds into more specific questions to which the researcher adds as more interviews are conducted, and differences and similarities of attitudes and opinions begin to emerge. The flexibility of convergent interviewing arises out of the continuous refinement of content and process (Carson, et al. 2000⁴²).

This interviewing process supports the principle of grounded theory where the researcher attempts to derive a theory from data gathered through multiple stages of data collection and by the refinement and interrelationship of categories of information (Strauss and Corbin, 1990¹⁵). Furthermore, theoretical sampling methods would seem appropriate here in that the researcher will ultimately decide on the sample size when it reaches the point of saturation. This form of sampling has been well established in the context of grounded theory, and is characterised by the fact that the collection of data is controlled by the emerging theory (Burgess, 1984⁴³).

5.5.1 Sample

A combination of both the purposive and theoretical sampling methods was adopted in the preliminary study. Firstly, the researcher purposely selected respondents considered

to be relevant to the research topic. This was achieved through a database of residential property transactions compiled by the Department of Natural Resources (DNR). The DNR database records all housing transactions conducted in Australia on a state by state basis.

The search was undertaken on the 5th January 1999 with the assistance of a valuation expert, Brad Neill, who was familiar with the DNR database. The valuer's expert knowledge and advice aided the search process and helped navigate through the database. The implementation of the following search parameters produced a target audience deemed appropriate for the research aims and, in particular, the cross-national comparative element of the research. Details of the search undertaken on the DNR database are contained in Appendix I.

To eliminate as far as possible the impact of post-decisional distance, which refers to the length of time since the purchase decision, the sample was restricted to those homeowners who had moved within six months of the date of survey. In a quantitative study analysing participant behaviour in the valuation of residential property, a three-month time constraint was applied (Adair et al. *ibid.*³⁵). However, because the qualitative nature of the research provided the opportunity for exploration by the researcher, a six-month time constraint was considered appropriate.

In addition to time constraints, a price range of \$105,000 to \$200,000 was implemented. The implications of this price range in terms of the sterling and punt equivalent, is discussed in detail in subsection 5.7.1. The adoption of this price range, which was suggested by the local valuer as a suitable range, was aimed at eliminating first-time buyers from the analysis. The study is considering the relatively experienced homeowner, that is buyers who have previously purchased residential property. It would seem logical that respondents with experience of property transactions would be more knowledgeable of the dynamics of residential markets. Furthermore, the ability to articulate the factors considered important should be improved if the respondents are relatively experienced transactors.

In terms of property type, the research focused on new-build residential property. One of the main aims of the research is to conduct cross-national comparisons involving the

United Kingdom, Ireland and Australia. This research methodology requires that the data gathered must be appropriate for comparative analysis. Furthermore, it is vital that the categories targeted are broadly similar, to ensure that the samples targeted within these categories are likely to demonstrate the same characteristics and are representative of comparable populations.

First-time buyers in Queensland tend to purchase timber homes known as 'Queenslander Homes'. Practising valuers refer to these as starter homes. This type of property is not comparable with property available in the other countries involved in the study and for this reason they are omitted from the current work.

As a consequence, new-build, detached property became the focus of the research. These were identified through their registered plan number. Plans registered in 1998 were given an RP number beginning with either an 8 or 9. With the search parameters in place, an initial search produced 765 transactions. A manual search through these transactions produced 150 sales with an RP8 or an RP9. Of these, thirty-two purchasers' names corresponded with the new-build property address, with twenty-nine of the thirty-two telephone numbers obtained through directory enquiries.

Each potential respondent was contacted by telephone and an interview requested. Those who agreed to be interviewed in person at the purchase property address were interviewed within a day or two of the initial telephone conversation. A relaxed informal atmosphere was desired and for this reason, it was decided that for the exploratory interviews a Dictaphone would not be used, instead notes would be made during the interviews and these would be written up immediately after each interview.

Furthermore, as an international researcher, alien to Australia, the production of a tape recorder at the interviews with respondents unaccustomed to being recorded could induce wariness from the interviewees' perspective and result in information being omitted or suppressed. In this respect, researchers may encounter difficulties in obtaining satisfactory consumer interviews because of a mistrust of strangers asking questions (Loudon and Bitta, 1993⁴⁴). The respondents contacted who were reluctant to consent to a personal interview did agree to a telephone interview. Research, which employs data collection devices for which potential respondents have expressed any

preference, will usually enhance the usefulness, quality and credibility of the results (Fink and Kosecoff, 1985⁴⁵). Therefore, these respondents were interviewed over the telephone before the personal interviews were conducted. These telephone interviews assisted with the design of the interview schedule discussed in the following section.

The theoretical sampling method was adopted during the interviewing process, in which the researcher was required to decide when a point of saturation had been reached. A comparable sample size will be used in the other two countries. However, should new data arise once the required number of interviews have been conducted in any of the countries considered interviews would continue until the point of saturation has been met adhering to the principles of theoretical sampling.

5.5.2 Interviews

During both the sampling selection process and the exploratory interviews a two-part interview schedule evolved that could be used in the three countries under investigation. The first section detailed the information relating to the property transactions obtained from the DNR database. It included the interviewees' name; address of the property; property type and dwelling type; price paid and the date of sale; and the registered plan number. It was used in the main by the researcher as an aid during the interviews.

However, the information obtained from the database had been inserted into the interview schedule for comparative purposes. It was viewed as important by the researcher with regard to cross-national comparisons. The outline of information retrieved from the database set a format for the personal details and property-specific information required for the three countries.

The second section detailed the interview prompt. It contained both open and closed questions. The closed questions relate to the classification of the interviewees in terms of status, number of dependants (and life-cycle stage), and the number of times in ownership of residential property. A question requesting a description of the subject property was also included. These questions were again considered important for subsequent analysis of results on a cross-national basis.

Initially the interviews were to centre on two main issues specifically, including the homeowners' decision-making process and the factors considered to influence value. From these broad topics the interview schedule evolved, encompassing three open questions relating to the interviewee's housing search process and two open questions examining the attributes considered to influence on value and how close their purchased property came to their ideal home.

An open question was added to the end of the interview prompt, asking respondents if they had any further comments relating to the issues discussed. It was included in case any of the respondents felt they had not finished discussing a topic, or in light of subsequent questions they would like to add a further comment.

5.5.3 Review of Preliminary Study

As explained above, the interview schedule that evolved during the preliminary study consists of two parts. The first outlines the information obtained from the database used to elicit the names of the Australian respondents. It includes the interviewees' name; address of the property; property type and dwelling type; price paid and the date of sale; and the registered plan number.

The registered plan number, which allowed identification of new-build residential property is unique to the Australian study and as such it is not applicable to the consumer studies in the United Kingdom and Ireland. Therefore, except for the registered plan number, the format of the interview schedule, comprising two sections, were followed for the pilot study.

A point of saturation was reached following the completion of ten consumer interviews. After the tenth interview it was considered that an interview schedule that could be used in the other two countries, had been devised, and, in particular, because no new issues were raised by respondents. A sampling method had been tried and tested and was successful in producing respondents relevant to the research topic. In terms of data produced the researcher felt that the inclusion of further respondents would not produce new units of analysis. Furthermore, the researcher proposed to adopt the same sampling

size in each of the countries investigated thereby intending to produce thirty interviews in total. The consumer interviews in Australia lasted approximately forty minutes and as such thirty consumer interviews seemed sufficient in a qualitative study.

5.6 Pilot Study

The aim of the pilot study was to assess the suitability of the research instruments devised in the preliminary study. The reliability of the research instruments utilised in cross-national surveys requires piloting in all participating nations to ensure the validity of the results (Jowell, R. 1998⁴⁶).

Furthermore, it was necessary to identify respondents using the same sampling method as that used in the preliminary study. However, because a comparable database of housing transactions is not currently available in the United Kingdom and Ireland, an alternative method of sample selection had to be identified and tested.

The pilot study was undertaken in Ireland in January 2000 and involved seven respondents. Like the Australian study a combination of both the purposive and theoretical sampling methods were adopted.

5.6.1 Sample

For the preliminary study a time constraint was implemented via the database of housing transactions utilised to elicit the names and addressees of respondents. As a comparable database is not available for the study in Ireland, uncompleted new-build residential developments were identified from local newspapers in Cork. It was anticipated that such uncompleted developments would have homeowners with recent knowledge of housing transactions.

However, the building process is slower in Ireland and developments, which contained some constructed and occupied houses, appeared unfinished because of a lack of infrastructure or unfinished infrastructure, uncompleted neighbouring houses, or

unfinished gardens. Consequently, although appearing unfinished the sales transaction had in fact been completed over a year earlier. Thus, the implementation of a time constraint to allow for post-decisional distance was not successful.

Obtaining the names of interviewees involved in very recent sale transactions was achieved through a solicitor involved in conveyancing in Cork who provided an introduction to three purchasers who had just completed the purchase of new-build residential properties. These respondents were all second-time buyers and had purchased within two months of contact. However, they had not yet moved into their properties, with two respondents conducting self-build or direct-build homes. This differs to the Australian respondents where consumers involved in the study had purchased property speculatively from a volume builder. Furthermore, as these respondents had not moved into their homes, face-to-face interviews on-site were not possible and telephone interviews transpired.

Following the identification of new-build housing sites, which appeared comparable to the sites used in the Australian study, the interviewer utilised cold calling. This method requires the interviewer to approach the target audience and request participation in the research “cold” or unannounced. As such, no introduction was given to the potential respondents and the interviewer was forced to explain the research, request participation and assure confidentiality, anonymity, and genuineness on the doorstep of potential interviewees.

Housing transactions are treated with a high degree of confidentiality in both the UK and Ireland and as a consequence the interviewer felt that this highly sensitive subject deserved a highly tactful approach. This did not arise in Australia due to the availability of sales transaction data to the general public. In addition, initial contact was made with the Australian interviewees by telephone and a subsequent interview time arranged convenient to the interviewee. The findings from the pilot study were compromised further by the interviewer’s lack of enthusiasm for the cold calling approach and the perceived need to be highly sensitive to the respondents’ confidentiality of purchasing details.

5.6.2 Interviews

The interview schedule used in the preliminary study was utilised in the pilot study and a total of seven interviews were conducted. The names of the respondents were required, as this was publicly available information in Australia, which had been inserted into the interview schedule. Two respondents chose not to provide their names and it was felt by the interviewer that responses would be improved if anonymity were assured. For the main study interviews, the names of respondents, is not desired as it is considered irrelevant to the research outcome.

Additionally, the question order was changed with price being the final question. In Australia the price was known before the commencement of the interview so again this issue did not arise. Because of the confidential nature of property transactions in the UK and Ireland, it seemed appropriate and tactful to discuss price and value at the end of interview.

It transpired from the pilot study that by the end of each interview, respondents had relaxed, being assured of their anonymity. Consumers who eyed their homes as investments talked enthusiastically about the price paid and the subsequent increase in value since purchasing the property. This is due to the economic climate prevailing in Ireland at the date of interview where property prices have witnessed a steady increase since 1997. The biggest increase in property prices occurred during 1998/99, with respondents having agreed their respective transactions during this time and being most open about the price paid and the values of their properties.

The question wording for eight of the nine questions included in the schedule did not cause problems for the interviewees and no ambiguity was identified. However, question seven, which is the core of the interview schedule, required the respondents' opinion on the attributes which influence value. It relates specifically to the research hypothesis that valuers and consumers vary in their consideration of what is important in determining value. The word "attribute" was not easily understood by consumers in Ireland and resulted in the interviewer having to explain in other words what was required from the question. During this explanation the word "factor" achieved the

desired response and the resultant amendment has been made for the main study interviews.

5.6.3 Pilot Study Review

Three of the respondents interviewed were or had been involved in self-build construction schemes, whereby the site is purchased separately and then an independent house builder employed. This method of home buying differs greatly from the speculative purchase and as a consequence these respondents are considered not comparable with the rest of the sample interviews.

Furthermore, during the interviews it transpired that two of the respondents were first time buyers. These categories of homeowners have been excluded from the current work because of their lack of experience within residential property markets. This was achieved in Australia by the implementation of a price range, which was suggested by a local valuer as a suitable range to eliminate first-time buyers from the analysis. A price range was adopted in the main study, linked to the range adopted in Australia. A more scientific method based on house prices for selecting the sample populations has been adopted for the main study interviews with consumers in the United Kingdom and Ireland.

Therefore, due to the ambiguity identified through the analysis of the pilot study these seven interviews are not included in the main study. Further testing of the research instrument was undertaken, firstly, with consumers in Wales and secondly, with consumers in Ireland.

5.7 Main Consumer Study

5.7.1 Sample

To obtain a comparable sample for the interviews in the United Kingdom and Ireland, a ratio of prices used in the Australian sample was applied to the other two countries. This was achieved through an analysis of house price indices in the three countries. It was

however, reliant on the availability of house price data, which did vary slightly in each of the countries considered. Appendix II summaries the calculations used to derive a target sample for the consumer study

For Australia, the figures used derived from median house prices and a house price index (HPI) compiled by the Australian Bureau of Statistics (ABS). The HPI is based on weighted averages for the eight capital cities in Australia. Because of Toowoomba's close proximity to Queensland's capital city Brisbane, and the size of Queensland geographically, it was appropriate to use the data compiled by the ABS. Although the ABS does provide information on a state/territory basis, such as homeownership and renting statistics, they do not produce a HPI at that level.

Figures relate to the quarter preceding the interview dates in each of the countries considered. The consumers interviewed in Ireland are situated in Cork. The Department of the Environment and Local Government in Ireland supplied the average price of new homes for the Cork region. The interviews conducted in the United Kingdom were undertaken in Cardiff, with house price data relating to Cardiff. The average price of detached properties in Cardiff for the first quarter of 2000 was obtained from the Land Registry Residential Property Price Report.

The average price of new residential property in Brisbane based on the last quarter of 1998 was calculated. The Real Estate Institute of Australia supplied details of the median house prices for the four quarters of 1989-90, which is the base year for the ABS index. From these two sources the median price of new homes in Brisbane for the last quarter of 1998 was established. Then the median value of the house prices used in the preliminary study was calculated and a ratio between the two was achieved.

Analysis shows that the median value of homes included in the preliminary study were 18 percent above the Brisbane average. All of the respondents included in the preliminary study were either second time homeowners or multiple homeowners. It is intended that by increasing the average price of residential property in Cardiff and Cork by 18 percent, first-time buyers will again be eliminated from the samples.

Thus, the average figures for Cardiff and Cork were increased by 18 percent and multiplied by the lowest/highest price used in the Australian study divided by the median value. Ranges of values were established encompassing £85,500 to £162,00 for the study in Cardiff and £82,000 to £155,000 for the study in Cork. Thus, respondents included in the study paid a purchase price within the identified ranges.

5.7.2 Interviews

New-build residential developments were identified from local newspapers in Cardiff and Cork (The Western Mail and The Examiner respectively). Three sites in each city were identified within the price constraint adopted. The sites were visited by the interviewer and assessed for their suitability at producing potential respondents. All of the developments had construction work being carried out at the date of interview. This gave an indication as to how new the houses were. Contact was also made with builders' sales force and with estate agents in an attempt to achieve a time frame on the selected developments. A one-year time limit was achieved.

The interviewer noted the house numbers that had occupiers on each housing estate and wrote a letter of introduction addressed to "the householder". Subsequently, potential respondents were approached and participation in the research requested. The letter of introduction proved successful, with the twenty respondents contacted agreeing to the interview, either at the time of contact or at another time convenient to the respondent. However, one respondent opted to complete the interview schedule and e-mail the response. As stated earlier, there is support for research that permits potential respondents to express a preference regarding the method used for data collection (Fink and Kosecoff, *ibid.*⁴⁶).

Each interview lasted between twenty and thirty minutes, with all of the respondents participating fully in the research. Cross-national comparative research requires similar research methodologies to be adopted in each of the participating nations. In the exploratory interviews a Dictaphone was not used, in order to ensure a relaxed informal atmosphere. Consequently, for the consumer interviews in each of the countries

investigated the interviews were recorded manually with notes being made during the interviews and written up immediately after each interview.

The amendments made to the interview schedule as a result of the pilot study were tested for their reliability, firstly with consumers in Cardiff and secondly with consumers in Ireland. No ambiguity was identified with interviewees responding to all of the questions posed. Therefore, these interviews are included in the main study analysis.

5.8 Valuation Study

The aims of the research present a number of issues that need to be addressed in the valuation study. The focal point of the study is to establish whether the valuation methods used by practising valuers account for buyer behaviour accurately. This is undertaken through an analysis of how behavioural inputs are treated within the valuation process. In particular, consideration is given to the issue of economic sustainability.

The valuers continued use of transaction price data during the valuation process is assessed in terms of lender pressure within residential markets and the issue of economic sustainability. Furthermore, the market information used by valuers during the valuation process is considered. The leading indicators capable of warning of changes in the market place as perceived by the valuer are identified and the level to which this information is monitored is determined.

The semi-structured interviewing approach adopted for the consumer study is maintained for the valuation study. The interviews were conducted face-to-face utilising the personal approach and, to preserve the quality and detail of the information gathered, all interviews were recorded and transcribed. A pre-interview questionnaire was issued to respondents based on the above aims. This questionnaire constituted the structure for the interviews, containing twelve pre-determined questions. The subsequent interviews were directed at probing beyond these standardised questions, allowing both the interviewer and the interviewee sufficient freedom to digress. Greater

importance is placed on the qualitative nature of the research, yet some quantifiable analysis of the questionnaire was proposed. It is contended that the combination of questionnaires and interviews produces data of a higher quality and reliability than that achieved by using a single approach.

In designing the research instruments, the cross-national comparative aspect of the research was the imperative consideration. Because the research includes participants from a number of countries, it was necessary to adopt a research strategy that is both informative and productive, while ensuring the credibility of the study. Furthermore, it must be remembered that all data-gathering devices must be capable of use with minimal variations in the three countries under investigation.

5.8.1 Study Design

This criteria lead to the development of a study pack directed at providing valuer respondents with background information relating to the current research. A brochure was designed which firstly, detailed the underlying principles of the research portfolio at the University of Glamorgan; secondly, it outlined the research activities in the field of real estate; and thirdly, it provided a review of the current research with a profile of the researcher.

It was anticipated that responses would be improved if respondents were made aware of the focal point of the research prior to the interview with a pre-interview questionnaire. This would provide respondents with an indication of what would be discussed at the subsequent interviews. Details of the study pack issued to expert valuers are provided in Appendix III.

The interviews were conducted using a semi-structured format with the structure derived from the questionnaire. It was intended that the interview content would focus on the core aims of the research but the resultant discussions would reflect the current practices in each country thereby providing the data for later comparisons. The systems, structures and trends in residential property markets vary across the three nations being

investigated and it was to reflect adequately these variations that a semi-structured interview format was desired.

With regard to sampling techniques, the purposive method was used. The target audience in each country comprised valuation experts engaged in residential mortgage valuations. It was intended that discussions with valuers practising in residential property markets would provide the information required to fulfil the research aims. However, the criteria used for selection had to be considered in detail, giving ample regard to the comparative aspect as well as the successful fulfilment of the research aims.

It was noted in Chapter Two that an experienced valuer was defined in a behavioural investigation undertaken in the United States, as an expert “having no less than five years of residential appraisal experience” (Diaz, 1990⁴⁷). Furthermore, these experts should possess a major residential appraisal professional designation (ibid.⁴⁵). This definition is adopted in the current study, with the criteria used to select respondent’s comprising:

- those currently engaged in residential mortgage valuations - valuers who undertake mortgage valuations for the main mortgage lenders in each country;
- those who hold professional affiliations - the respondents were identified through professional registers including The Royal Institution of Chartered Surveyors (RICS) in the United Kingdom, the two professional bodies in Ireland, namely, the Incorporated Auctioneers and Valuers Institute (IAVI) and the Institute of Professional Auctioneers and Valuers (IPAV), and the Australia Property Institute (API) in Australia; and,
- those considered experienced valuers in the field of residential property - senior valuers engaged in mortgage valuations identified in each country.

The above criteria featured in the sample selection process but it was also included in the questionnaire. It was considered important to the research outcome that the

participants be suitable to the research topic and, in particular, for comparative analysis. Thus, the suitability of the research participants was firstly assessed during the initial telephone contact and later verified in the questionnaire.

5.8.2 Questionnaire

The aim of the questionnaire is to provide an agenda for the interview discussions. It was used in conjunction with an interview prompt and to support the information gathered at the interviews, with respondents in each of three countries issued with the same questionnaire, which was enclosed in the study pack. Appendix III contains the questionnaire used in the research.

In designing the questionnaire there were a number of issues that required deliberation. With regard to the questions posed, a design process was adopted which allowed the questions to develop around the research aims. Each aim was considered in isolation, and the information required to fulfil the aim was assessed. Once specific focuses were identified for a set of questions, the questionnaire design proceeded with a consideration of question styles. Table 5c designed for the current study outlines the choices available and describes the associated advantages and disadvantages of each type of question.

	<i>Advantages</i>	<i>Disadvantages</i>
<i>Open Questions</i>	<ul style="list-style-type: none"> • Freedom and spontaneity of the answers • Opportunity to probe further at the subsequent interviews • Useful for testing research hypothesis 	<ul style="list-style-type: none"> • Time consuming • Costly of interviewer time • Coding - costly and slow to process, and may be unreliable • Demand more effort from respondents
<i>Closed Questions</i>	<ul style="list-style-type: none"> • Require little time • No extended writing • Low costs • Easy to process • Make group comparisons easy • Useful for testing hypothesis • Less interviewer training 	<ul style="list-style-type: none"> • Loss of spontaneous responses • Bias in answering categories • Sometimes crude • May irritate respondents

Adapted from May, (1993⁴⁸)

Table 5c Question Style

Mixtures of both open and closed questions were utilised. Firstly, the respondents' suitability as research candidates was considered. This information was used to provide background information on the respondents and for cross-national comparisons. Firstly, a closed question relating to the number of years in residential mortgage valuations was included to determine whether the respondents would be deemed "expert" in terms of the definition adopted.

The respondents' professional status was assimilated in two questions. The first was adapted from the questionnaire used in a recent study investigating local knowledge in the valuation process (Almond, *ibid.*³¹). The question was suited to the current work due to its examination of how valuers gain the experience necessary to undertake residential valuations. This combined with a question specifically requiring information regarding professional designations were deemed sufficient to assess the suitability and comparability of respondents. Both a closed and open question were used respectively.

A closed question determining whether the respondents undertake valuations for the main mortgage lenders was also included. However, due to the confidential nature that prevails between valuers and their clients, details of individual clients was not requested nor relevant here. However, it was intended that, by not requesting this information,

respondents would recognise that confidential information was not required for the research and thus be more open in their responses to later questions. The four initial questions were included in the pre-interview questionnaire with the aim of saving valuable interviewing time. The respondents included in this study have busy working schedules and consequently it was felt important that the interviews be kept as short as possible focusing solely on the core of the study.

The remainder of the questionnaire was designed around the aims of the study. The focal point of the valuation study is to clarify whether the valuation methods used by practising valuers account for buyer behaviour accurately. Previous research has shown that valuers and buyers vary in their consideration of what attributes are considered important, with valuers advised to consider buyer behaviour to improve valuation accuracy levels (Adair, et. al. *ibid.*³⁵). In total, eight questions were included based on the foci of the study.

Primarily an open question requiring the valuers' opinion as to which key factors influence value was included, followed by a ranking exercise in which the valuer ranked the importance of buyer behaviour alongside other key attributes. These were identified from the author's own experience and literature search. The market data used in the valuation process was requested in an open-style question aimed at providing the respondents with the freedom to describe individual approaches. Succeeding this, a closed question utilising a Likert scale was included requiring the ranking of market information. These questions were aimed at uncovering if and how behavioural inputs are treated within the valuation process.

Following this the remainder of the questionnaire centred on the economic information monitored by valuers, the level to which this information is considered and the importance of pertinent sources of data. The latter was a closed style question involving a Likert scale. These closed questions that adopt a Likert scale were adapted from Almond's research because of their suitability at identifying important market information and their sources in the valuation process. They were included in support of the preceding open style questions.

An open question was added to the end of the questionnaire, requesting respondents to provide further comments on any of the previous questions. It was included in case any of the respondents felt they had not finished discussing a topic, or in light of subsequent questions they would like to add a further comment.

It should be noted that the questionnaire responses were analysed and discussed further at the personal interviews so issues such as response rates or poor wording do not factor highly in the questionnaire design. The important consideration was that it would facilitate discussion and probing at the semi-structured interviews and encourage cross-national comparisons. Appendix III contains a complete copy of the study pack issued to valuation experts in the three countries investigated.

5.8.3 Interviews

The focus for the semi-structured interviews was established during the construction of the questionnaire. In fact, the purpose of the questionnaire was to provide written evidence in support of the interview data. Thus, it seemed appropriate to outline in brief, the written information gleaned from the questionnaire alongside the additional issues for consideration at the interviews. It was intended that this would allow a series of probing questions to emerge.

Questionnaire	Interviews
<ul style="list-style-type: none"> • Assess the valuer's suitability as a study candidate • Establish the key variables • Record the importance of buyer behaviour • Establish the market information used • Record the importance of these information sources • Establish the economic information monitored • Record the importance of economic information in the valuation process 	<ul style="list-style-type: none"> • Does the valuer account for buyer behaviour accurately? • Identify the leading indicators capable of warning of changes in the market place • Does the valuer account for economic sustainability? • Does lender pressure combined with bid price information affect economic sustainability? • Discuss country specific trends, information and valuation methods

Table 5d Aims of Research Instruments

The central issues for discussion at the interviews as distinguished in Table 5d which was designed for the current research, resulted in a number key questions with additional probing questions. In total, the interview prompt contained twenty questions. The questionnaire contained twelve questions regarding the information used by valuers and also provided a record of the information considered important by the valuation experts.

5.8.4 Pilot Study

The pilot study was conducted in the Cardiff region in August 2000 with a valuation expert engaged in residential valuations. The pilot was conducted in Cardiff for convenience, in that the researcher was based there at the time. A firm of estate agents known to engage in residential mortgage valuations was selected and the most senior valuer within the company targeted. The respondent was contacted by telephone and it was established during the introductory conversation that the respondent did currently engage in residential mortgage valuations. The study pack was issued to the respondent with the questionnaire completed and returned to the interviewer prior to the interview appointment, which was within two days of the returned questionnaire.

During the interview, a number of issues arose regarding the research instruments used. Firstly, the use of two interview aids as a source of discussion, that is, the completed questionnaire and an interview prompt, was a hindrance and caused confusion. It forced the interviewer to focus on these prompts instead of the actual discussion. On reflection, the interview prompt designed was tedious with its twenty questions and led to difficulty for the interviewer to concentrate on the discussion.

Furthermore, the respondent's accent lead to difficulty in following the discussion, which was not identified over the initial telephone contact. The interviewer is not local to the Cardiff region and as such the issue of understanding accents and dialects should have been considered earlier, particularly in the light of the cross-national aspect of the research.

Thus, it would appear that the consequences of mixing both a questionnaire and an interview prompt lead to problems during the interview procedure. In light of the problems encountered, a number of amendments were made to the questionnaire with the interview prompt abandoned completely. In retrospect, the interview would have proceeded in a more discursive style had the interview been based on just the questionnaire. Following the interview, the questionnaire was re-ordered to follow the order of the interview prompt. The prompt itself was then dissected and the probing questions were written alongside each question on the questionnaire. It is intended that this would be done on receipt of each completed questionnaire, with the aim of relating the discussion to the interviewees' questionnaire response.

Although the wording of the questions contained in the questionnaire did not change, the sequence of the questions did. It was intended that by altering the order of the questionnaire and omitting the interview prompt would have the following advantages:

- the interviewer does not have to take notes during the interviews as each interview is preserved in written evidence (questionnaire) and audio/video tape;
- a discursive/debate style interview based on the aims of the research can be entered into as both participants have prior knowledge of the questionnaire content; and,
- the interviewer is allowed to completely focus on the interview discussion, without distractions from an interview prompt or a questionnaire requiring completion thereby leading to the encouragement of further probing.

The questionnaire was re-piloted in Cardiff and the interview proceeded in the desired manner. Consequently, the amendments made were deemed effective and as such the interview is included in the main study.

5.8.5 Main Study

The valuation study comprised a total fifteen interviews with valuers in the United Kingdom, Ireland and Australia. A target of five interviews in each country was sought and a comparable sample size would be maintained in each country. All the interviews were conducted using a face-to-face interviewing technique. Although the interviews

with professionals in Australia were conducted face-to-face, videoconferencing equipment facilitated the interviewing strategy.

In the UK, Chartered Surveyors being corporate members of the RICS undertake the majority of mortgage valuations. The RICS Directory, which is updated annually, provides the names and addresses of all practising valuers in the UK. Initially a list of valuers working in the Cardiff area was compiled and from this a number of valuers were contacted. Those that agreed were sent a copy of the study pack and interview time arranged. Four potential respondents declined to participate in the research because of pressures of work.

Initially for the study in Ireland, Chartered Surveyors were targeted because of their comparability with the UK sample but most practise in other property-related areas. It transpired that the bulk of residential mortgage valuation work is undertaken by practising estate agents who are registered panel valuers for the main mortgage lenders. As such this group would be deemed more suitable to the current work.

For the Australian sample, the structure is similar to the UK, with mortgage valuers mainly being independent of estate agencies. The API provided a list of six valuers practising in the same area as that of the consumer sample. Further contacts were made during the interviewing process. The interviews were conducted face-to-face using videoconferencing. Initially, three interviews were arranged at hourly intervals on the same day, which because of world time differences meant that the interviews began at midnight and lasted for three hours.

5.9 Summary

This chapter has explained the research methodology, justified a qualitative approach and introduced the conceptual frameworks, which are the basis of the data gathering processes utilised in the research. It has explained and evaluated the research strategies available and discussed how the research aims have influenced the choice of methods used. Furthermore, a critical examination of the previous methodologies adopted in the behavioural paradigm of real estate was undertaken. The analysis of the research is described in Chapter Six.

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6. RESULTS AND DISCUSSION

6.0 Introduction

This Chapter presents the results of the research outlined in the previous chapters. Initially, the results of the consumer study are presented country-by-country before an overall view of the information gathered is provided.

The suitability of the research participants included in the valuation study was assessed in a pre-interview questionnaire and as such a profile of the research participants is outlined prior to the information gathered in the questionnaire. This is followed by the outcomes of the interviews with the valuation experts, which is again presented country-by-country, before the data is merged and discussed in detail. Additionally, the data collected at the personal interviews is related to the questionnaire data and an overall view of the information gathered is provided.

Finally, the results of the consumer study are discussed with the implications of the study on the valuation study determined.

6.1 Results of Consumer Study

A total of thirty residential consumers took part in the study, and these were divided into three groups according to their country of origin. Initially, the preliminary study was undertaken with consumers in Toowoomba, with the main consumer study conducted in Cardiff and Cork.

The respondents included in the research remain anonymous and as such each consumer has been issued with a number from one to thirty preceded by the letter 'R' to denote respondent. The numbering follows the order that the interviews were conducted and read R01 to R30.

6.1.1 Data Collected in Australia

Of the ten interviews, seven were conducted face-to-face at the subject property and three conducted by telephone. All the respondents were deemed experienced purchasers with eight respondents having purchased residential property (for owner-occupation) for the second-time, and the remaining two having traded homes on a number of occasions. A six-month time scale to allow for post-decisional distance was achieved with all of the respondents having completed their housing transaction within six months of the interview date.

With regard to lifecycle stage, seven of the respondents are married, one single, one widowed and one divorced. Of the seven respondents married, three have dependant children, as does the divorcee. The four respondents that are married but without dependants are in the empty-nester stage of life, having grown up families.

In terms of the properties included in the research, all are single-storey detached residences, newly-built brick constructions, and situated on either $\frac{1}{3}$ acre or $\frac{1}{4}$ acre plot. The properties included in the research are typical of the brick style homes produced by the volume builders in Queensland and a sample picture of the type of property considered in the research is included in Appendix IV, preceding the consumer interview summaries undertaken in Australia.

A description of the properties included in the study in terms of room size is provided in Table 6a. Obviously the properties included in the research are individually different, with the further details contained in Appendix IV. However, the main similarities between the physical attributes of the properties have been outlined, in particular, for subsequent comparison with the other two countries.

Respondent	Search Period	No. of Inspections	Property Description
R01	3 months	12	3 bedrooms; 2 reception rooms
R02	1 week	23	4 bedrooms; 2 reception rooms
R03	1 week	3	3 bedrooms; 2 reception rooms
R04	2 months	6	4 bedrooms; 2 reception rooms
R05	3 months	1	4 bedrooms; 2 reception rooms
R06	10 months	10	4 bedrooms; 2 reception rooms
R07	2 months	2	4 bedrooms; 2 reception rooms
R08	3 months	4	4 bedrooms; 3 reception rooms
R09	6 months	20	4 bedrooms; 2 reception rooms
R10	1 month	3	4 bedrooms; 2 reception rooms

Table 6a Respondents' Search Period and Property Description

Additionally, the search process of buyers is considered. From the data, it is evident that the majority of respondents (eight) conducted their housing search within a twelve-week period. However, two respondents agreed to purchase their homes within a week with one of these purchasers undertaking the largest search. The number of property inspections ranged from one (the purchased property) to the largest search encompassing twenty-three properties. The average number of inspections was eight properties per respondent.

However, over half of the respondents (five) inspected less than four properties, which raises the issue of whether these purchasers have acted prudently. This is important with regard to valuation practice, as it is a requirement of the three countries' valuation practice standards and definitions that the residential mortgage valuer assess the OMV of a property in terms of a prudent hypothetical purchaser.

Initially, the reasons for purchasing new-build property were identified as the study concerned new-build property in the three countries investigated. Furthermore, as the Australian market has an indigenous residential property type (as discussed in section 5.5.1), it is assessed whether this has implications on the overall results. Six consumers

considered that purchasing new-build property enhanced the sustainable value of their home. In this respect, a 'durable home' that requires 'low maintenance' would 'sell easily in the future' and 'sustain its value'. Overall, costs-in-use were identified as an important factor associated with new-homes, and one that featured highly in the decision-making processes of residential homebuyers in Australia with seven respondents mentioning maintenance factors.

However, the focus of the research was to elucidate the factors considered to influence the value of residential property. In this respect, all of the respondents listed location as the primary value attribute, which was described in terms of the property's location within the city (proximity to amenities) and in terms of owning property in the 'right neighbourhood'. Again, the respondents were concerned with ensuring sustainable values and suggested that purchasing property in 'an established area' would ensure future saleability. Seven respondents cited locality in terms of the 'right place to live' as an important determinant in contributing towards a sustainable house price. Overall, the respondents included in the study overwhelmingly focused on the sustainable value of their property with Table 6b outlining the attributes listed by the Australian sample.

Value Attributes	(%)
Location	100
Proximity to Amenities	100
Adjoining/Accessible Garage	80
Low Maintenance	70
Locality (right place to live)	70
Accommodation	40
Interior Décor and Design	40
Roof Tiles	30
Brick Construction	30
Manageable Garden	20
Large Plot	20
Within Price Range	20
Neighbourhood	20
Aspect	10
Aesthetic Appearance	10
Well Built	10
Fire Resistance	10

Table 6b Value Influencing Factors: Australian Sample

Finally, how close the purchased property came to the respondent's ideal home was determined. Research suggests that consumers purchase products that are expected to help achieve the ideal and that attitudes are developed from the favourableness of a particular behaviour and the strength of subsequent beliefs. To improve our understanding of consumer behaviour as related to residential property it was necessary to isolate the reasons why consumers are not satisfied with their purchase. Overall, seven respondents were satisfied with their home and generally considered it to be ideal. However, the respondents that did not rate the property ideal, did so because of a number of reasons including risk of flooding, inadequate features and finally, preferring a self-build option which was constrained by the respondent's budget.

Overall, it would appear from the data that the key factor influencing the Australian respondents was the sustainable value of their property. In general, this was assessed in terms of the property's locality and in terms of costs-in-use.

6.1.2 Data Collected in the United Kingdom

The ten interviews conducted in Cardiff adopted a face-to-face approach with the interviews undertaken at the subject property. All the respondents were deemed experienced purchasers with five respondents having purchased residential property (for owner-occupation) for the second-time, and the remaining five having traded homes on numerous occasions. All of the properties included in the research were within the price range, which was linked to the range adopted in the Australian study (See Appendix II for more details).

However, with regard to a time scale to allow for post-decisional distance, this was more difficult to achieve in the UK as the transaction process is slower than in Australia, and consequentially the results varied. In this respect, five of respondents had completed their property transactions within 12 months of the interview, two within six months, two within a month of interview date and the remaining one within eighteen months. The time scale achieved is acceptable because of the length of time that the transactions process takes in the UK and because the research found no alternative method for ensuring a shorter distance since property acquisition.

With regard to lifecycle stage, eight of the respondents are married, one single, and one widowed. Of the eight respondents married, four have dependant children, as does the single respondent. The four respondents married without children are deemed as families with “dual-income-no-kids” (sometimes referred to as “dinky’s”). As such, the widow was the only respondent to fit the empty-nester or retirement stage of life.

In terms of the properties included in the research, there were nine detached two-storey residences and one semi-detached property. All are newly-built brick constructions, that are typical of the brick style modern homes produced by the volume builders in the UK. A sample picture of the type of property considered in the research is included in Appendix V preceding the summaries of the consumer interviews undertaken in the UK. Furthermore, a profile of the respondents search duration and property description is provided in Table 6c.

Respondent	Search Duration	No. of Inspections	Property Description
R11	1 month	2	4 bedrooms; 2 reception rooms
R12	1 weekend	4	4 bedrooms; 2 reception rooms
R13	8 months	20	4 bedrooms; 3 reception rooms
R14	2 months	20	5 bedrooms; 3 reception rooms
R15	6 months	20	5 bedrooms; 3 reception rooms
R16	4 months	10	4 bedrooms; 2 reception rooms
R17	12 months	20	4 bedrooms, 2 reception rooms
R18	2 months	2	4 bedrooms; 2 reception rooms
R19	2 months	5	4 bedrooms; 2 reception rooms
R20	3 months	5	3 bedrooms; 2 reception rooms

Table 6c Respondents’ Search Period and Property Description

From the data it is evident that the properties included in the study were all similar in size and structure. Regarding the search duration of the UK consumers it is evident that six of the respondents conducted their housing search over a twelve-week period. The shortest search was conducted over a weekend and involved four properties. Overall, half the respondents inspected five or less properties with the other half inspecting

between ten and twenty properties. On average the respondents inspected approximately eleven properties each.

The reasons for purchasing new-build property were considered prior to outlining the factors considered to influence the value of residential property. A number of the respondents had purchased their property on a part-exchange deal facilitated by the volume builder. Commonly in the UK, at less than buoyant times in the market, the builder will offer to purchase the potential buyer's property in a part-exchange deal.

However, it was the ease of sale through part-exchange that attracted the purchasers. In particular, the lack of estate agency fees, the 'hassle-free process' and the quicker transaction process that avoids gazumping were some of the reasons given for purchasing new-homes. Again, maintenance featured highly in the decision-making processes of the UK consumers confirming that buyers are considering costs-in-use. Other factors mentioned included the cost factor of buying an older home in terms of renovation and decoration.

The focus of the research concerns the factors considered to influence the value of residential property with Table 6d outlining in brief the factors considered by the research participants. Overall, the respondents listed location as the primary value attribute, which was described in terms of proximity to amenities and the city centre; road links and industry; and in terms of the actual neighbourhood. However, a number of respondents sacrificed the 'right neighbourhood' believing that regardless of this they had achieved a good deal within their price range (four). Costs-in-use were again described as a value-influencing factor.

Value Attributes	%
Location	100
Proximity to Amenities	90
Interior Décor and Design	70
Low Maintenance	60
Neighbourhood	50
Accommodation	50
Within Price Range	40
Large Plot	30
Adjoining/Accessible Garage	20
Locality (right place to live)	20
Privacy	20
Aesthetic Appearance	20
Detached Residence	20
Aspect	10

Table 6d Value Influencing Factors: British Sample

Finally, how close their purchased property came to their ideal home is determined. In this respect, six of the respondents generally considered the subject property not ideal because of its location. Specifically, four of these respondents were referring to the property's "locality" in terms of the Cardiff area, whereas the other two respondents were referring to its geographical location in terms of the UK.

6.1.3 Data Collected in Ireland

Of the ten interviews, nine were conducted face-to-face at the subject property address and one electronically by e-mail. The respondent who participated by e-mail had agreed to an interview at the purchase property address but due to unforeseen circumstances could not conduct the interview at the agreed time and followed up with an e-mail response, which was deemed as a valid response. All the respondents were experienced purchasers with nine respondents having purchased residential property (for owner-occupation) for the second time, and one having traded homes on a number of occasions. All of the properties included in the research were within the price range adopted that was linked to the range included in the Australian study (See Appendix II for more details).

However, with regard to a time scale to allow for post-decisional distance, again this was more difficult to achieve than the Australian sample due to longer transaction periods and the fact that a database was used in Australia. In this respect, four of the respondents completed their housing transaction within six months of the interview date, three within 12 months and the remaining three within eighteen months.

With regard to lifecycle stage, nine of the respondents are married with dependants and one is divorced with dependants. In terms of the properties included in the research, nine were detached two-storey residences and one is a detached dormer bungalow. The bungalow was not the normal package bought through volume builders, but a privately owned site and was therefore a self-build option. As such, this respondent employed a builder privately to construct the property. However, all of the subject properties are newly-built brick constructions similar in size and structure. A sample picture of the type of property considered in the research is included in Appendix VI preceding the summaries of consumer interviews undertaken in Ireland.

Respondent	Search Duration	No. of Inspections	Property Description
R21	3 months	2	4 bedrooms; 4 reception rooms
R22	6 months	3	4 bedrooms; 3 reception rooms
R23	1 week	1	5 bedrooms; 3 reception rooms
R24	2 weeks	5	5 bedrooms; 3 reception rooms
R25	24 months	6	4 bedrooms; 2 reception rooms
R26	1 week	1	4 bedrooms; 4 reception rooms
R27	2 weeks	1	4 bedrooms; 3 reception rooms
R28	12 months	20	4 bedrooms; 3 reception rooms
R29	2 weeks	6	4 bedrooms; 3 reception rooms
R30	2 weeks	3	4 bedrooms; 1 reception rooms

Table 6e Respondents' Search Period and Property Description

A profile of the respondents search duration and property description is provided in Table 6e. Again, the main similarities between the physical attributes of the properties have been outlined with all the properties included similar in size and structure.

Regarding the search duration of the Irish consumers it is evident that six respondents conducted their housing search within a two-week period. Two respondents conducted the shortest search over a week and involved just one property. One respondent conducted the housing search within three months, one within six months and one within a year. Overall, nine respondents inspected six or less properties with the remaining one respondent inspecting twenty properties over a two year period which was the longest search. On average the respondents inspected approximately five properties each which is lower than the average in the other two countries and may be attributable to the buoyancy of the Irish market at the time of the interviews.

The reasons for purchasing new-build property were elucidated prior to outlining the factors considered to influence value. Again, maintenance featured highly in the decision-making processes of the Irish consumers confirming that buyers are considering costs-in-use. Overall, three respondents specifically referred to low maintenance with a further three respondents mentioning the builders' guarantee that attaches to new-build property. Two respondents considered the cost factor of buying an older home in terms of renovation and decoration important. The design, spaciousness and the fact that new homes provide an environment that is ready for immediate occupation was also considered important by half the respondents. Additionally, the hassle-free purchasing process that the new homes market enjoys was a strong reason for purchasing new-build property for two respondents.

The focus of the research was to elucidate the factors considered to influence the value of residential property. The attributes considered by the research participants, to influence the value of residential property, are detailed alongside the frequency with which they arose in Table 6f.

Value Attributes	(%)
Location	100
Proximity to Amenities	100
Accommodation	90
Interior Décor and Design	80
Locality (right place to live)	60
Large Plot	50
Neighbourhood	40
Low Maintenance	40
Detached Home	40
Parking	30
Aesthetic Appearance	30
Adjoining/Accessible Garage	20
Well Built	20
Within Price Range	10
Aspect	10

Table 6f Value Influencing Factors: Irish Sample

Overall, the respondents listed location as the primary value attribute along with proximity to amenities. The locality and neighbourhood in terms of the right place to live was pertinent to the respondents with six and four respectively regarding these factors as influencing the value of their properties. The accommodation was very important to nine of the respondents and was described in terms of a large living area, spaciousness, and the standard of the interior. Costs-in-use were described as a value attribute by four respondents and was described in terms of low maintenance qualities.

Finally, how close their purchased property came to their ideal home is determined. Half of the respondents are satisfied with their home and generally considered it to be ideal. However, half the respondents did not rate the property ideal because four respondents would have preferred a self build option although it was deemed too costly and one respondent would have preferred a different geographical location although again it came down to affordability.

6.1.4 Overview of Consumer Study

From the data it would appear that the properties included in the consumer study were of a similar type in the three countries investigated. As such, all the properties were newly-built brick constructions comprising no less than three bedrooms with a maximum of three reception rooms.

	Married with kids	Married without kids	Single with kids	Single without kids
AUS.	3	4 (empty-nester)	1 (divorcee)	2 (1 widow)
U.K.	4	4 (dinky's)	-	2 (1 widow)
IRL.	9	-	1 (divorcee)	-
Total	16	8	2	4

Table 6g Overview of Respondents

With regard to lifecycle stage it is evident from Table 6g that half the Australian sample were in retirement (4 empty-nester and 1 widow) which is distinctly different to the other two countries as the UK sample contained only one retired respondent with the Irish sample containing none. The fact that these respondents were in the retirement stage of life may explain why the Australian sample was overly concerned with economic sustainability (future saleability) and costs-in-use (low maintenance). However, it should be noted that 70 per cent of all the respondents referred to 'a low maintenance home' with the same number mentioning the 'right place to live' or 'an established area'.

Overall, it is clearly evident from Table 6g that a cross-section of respondents were included in the study with sixteen married with children, eight married without children, two divorced with dependent children and four single without dependants.

Australia		United Kingdom		Ireland	
1 week	23	1 weekend	4	1 week	1
1 week	3	1 month	2	1 week	1
1 month	3	2 months	20	2 weeks	5
2 months	6	2 months	2	2 weeks	1
2 months	2	2 months	5	2 weeks	6
3 months	1	3 months	5	2 weeks	3
3 months	4	4 months	10	3 months	2
3 months	12	6 months	20	6 months	3
6 months	20	8 months	20	12 months	20
10 months	10	12 months	20	24 months	6

Table 6h Consumer Search Duration and Number of Inspections

The search process in the three countries is outlined in Table 6h and from the data it is apparent that the Irish consumers conducted the shortest search with six of the ten respondents arriving at their purchasing decision within fourteen days. Furthermore, the Irish sample inspected the least number of properties with nine respondents inspecting less than six properties and four inspecting two or less. This is probably due to Ireland experiencing a fast moving property market at the time of the interviews, which resulted in increased demand and a general shortage of residential property for owner-occupation. However, the shortest search was conducted in the UK over a weekend with Australian consumers also conducting property searches within seven days and inspecting as few as one property.

With regard to the factors considered to influence value, Table 6i provides an overall view of the factors identified by the residential consumers in the three countries. The similarity between the key factors identified is clearly evident, in particular, in relation to the first five factors outlined. As such, location and proximity to amenities featured highly in the three countries. However, 'location' had a variety of meanings to the consumers and it is apparent from the interview data that these variations arose from differences in the respondents' lifecycle stage as opposed to cultural differences originating from different national settings.

Australia		United Kingdom		Ireland	
Location	100	Location	100	Location	100
Proximity to Amenities	100	Proximity to Amenities	90	Proximity to Amenities	100
Accessible Garage	80	Interior Décor & Design	70	Accommodation	90
Low Maintenance	70	Low Maintenance	60	Interior Décor & Design	80
Locality (place to live)	70	Neighbourhood	50	Locality (place to live)	60
Accommodation	40	Accommodation	50	Large Plot	50
Interior Décor & Design	40	Within Price Range	40	Low Maintenance	40
Roof Tiles	30	Large Plot	30	Neighbourhood	40
Brick Construction	30	Locality (place to live)	20	Detached Home	40
Manageable Garden	20	Accessible Garage	20	Parking	30
Large Plot	20	Privacy	20	Aesthetic Appearance	30
Within Price Range	20	Aesthetic Appearance	20	Accessible Garage	20
Neighbourhood	20	Detached Residence	20	Well Built	20
Aspect	10	Aspect	10	Within Price Range	10
Aesthetic Appearance	10			Aspect	10
Well Built	10				
Fire Resistance	10				

Table 6i Overview of Value Influencing Factors

In this respect, the Australian respondents listed location as the primary value attribute which was described in terms of the property's location within the city and its proximity to amenities. Ultimately, the Australian consumers were concerned with ensuring sustainable values and suggested that purchasing property in 'an established area' would ensure this objective. Locality described in terms of the 'right place to live' was an important determinant in contributing towards a sustainable house price.

The UK respondents also listed location as the primary value attribute, which was again described in terms of proximity to amenities and the city centre; road links and industry; and in terms of the actual neighbourhood. However, a number of respondents sacrificed the 'right neighbourhood' believing that regardless of this they had achieved a good deal within their price range. This is in contrast to the Australian homeowners who believed that the primary value attribute in many instances was the 'right neighbourhood'.

The Irish consumers listed location as the primary value attribute along with proximity to amenities. The locality and neighbourhood in terms of the right place to live was pertinent. However, property specific factors such as the accommodation and décor were important factors to nine of the respondents. Overall it would appear that the Irish

and UK consumers were more focused on the physical attributes of the property than the Australian respondents. In this respect, the Australian respondents who were not completely satisfied with their purchase described the inadequacies in terms of the property's aesthetic appearance and other physical aspects of the property. However, these aspects were deemed remediable over time and not pertinent factors influencing value. In particular, these inadequacies were deemed less important with regard to influencing value than the property's locality.

Maintenance was cited by seventeen of the thirty respondents with the Australian respondents listing this factor most frequently. The overall findings from the consumer study are discussed further in section 6.4 with the implications of the consumer study on the valuation study determined.

6.2 Valuation Study

Prior to the personal interviews a questionnaire was issued to the valuation experts. Of the fifteen valuation experts included in the study fourteen completed and returned the questionnaire prior to the personal interview. The purpose of the questionnaire was to assess:

- the respondents' suitability as research candidates;
- the respondents' professional status;
- whether the respondents undertake valuations for the main mortgage lenders; and,
- the aim of the study which is to determine whether the valuation methods adopted by valuers account for buyer behaviour accurately.

The aims and objectives of the research are considered in turn to discover the attitudes of practising valuers in the three countries. However, before restating the objectives a profile of the respondents involved in the valuation study is provided.

6.2.1 Profile of Respondents

The criteria used to select the research respondents comprised those currently engaged in residential mortgage valuations who hold professional affiliations to nationally recognised institutions and are considered experienced valuers in the field of residential property (see Chapter Two section 2.3).

Figure 6a reveals that all the respondents included in the study have been undertaking residential mortgage valuations for at least five years. The valuer with the most experience had twenty-eight years in service with the overall average number of years as residential valuation experts is approximately eleven years. Consequently, in terms of suitable research candidates all the respondents were deemed sufficiently qualified in the field of residential property.

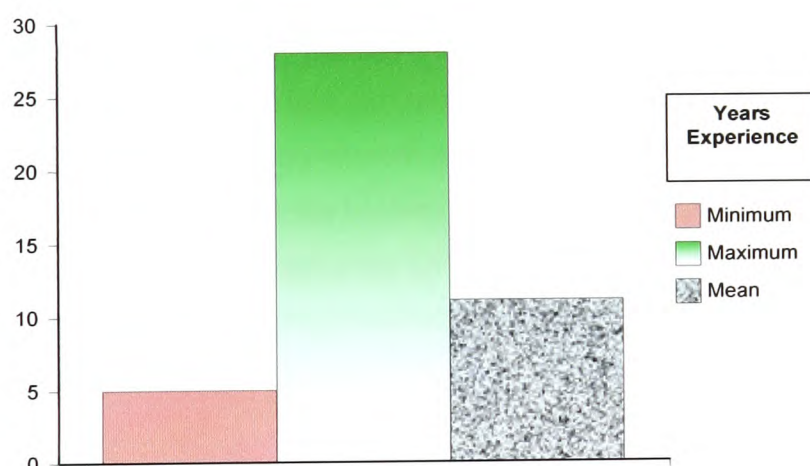


Figure 6a Number of Years as Residential Valuer

However, to provide a more detailed profile of the research participants their professional knowledge was also explored. This is highly pertinent in relation to the domain specific knowledge required by the valuation profession as a whole. It would appear from Figure 6b that on-the-job-experience' accounts for a high proportion of the valuers professional knowledge with over 60% related to the valuers role and task specific experience. Furthermore, continued professional development would appear to be a route that all the research respondents were familiar with and had previously used

to the extent that over 15% of the valuers' professional knowledge was attributed to this source.

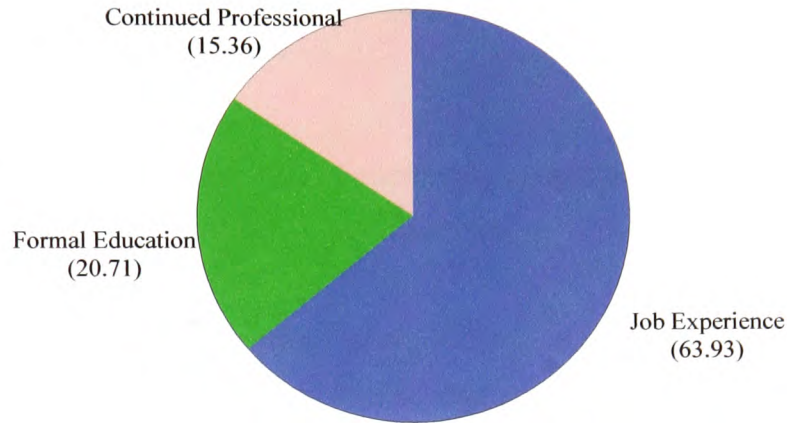


Figure 6b Source of Professional Knowledge (mean response)

The professional affiliations, to which the respondents are members, correlates directly with the nationally recognised institutions outlined in Chapter One (section 1.4). The main institutions in each country provide guidance, regulation and information to valuers with all of the respondents holding professional designations to the RICS in the UK, the API in Australia and either the IAVI and IPAV in Ireland. With regard to the valuation work, all the respondents conduct valuations for the main mortgage lenders in the three countries investigated.

6.2.2 Framework for Analysis

At the outset of the research a number of aims and objectives were developed with regard to the data and to provide a framework for the analysis of the information collected in the valuation study. The main aim of the research is to determine whether the valuation methods adopted by valuers account for buyer behaviour accurately with the following objectives:

- to undertake cross-national comparisons in the United Kingdom, Ireland and Australia with regard to providing a clearer understanding of the factors related to demand;

- to identify the leading indicators capable of warning of changes in market conditions;
- to assess critically the effects of lender pressure on the valuation methods used by valuers; and,
- to determine whether valuation methodology coupled with lender pressure forces valuers to overlook the issue of sustainability.

Both the questionnaire and personal interviews contained a series of questions directed at satisfying these aims and objectives. Initially, to provide a clearer picture of the factors related to demand the research established the key factors considered important by the valuation experts. Additionally, the data sources used by practising valuers were elucidated with the research focusing on whether valuers account for buyer behaviour in the valuation process. Specifically, the pertinent issues arising from the consumer study are investigated further, namely, costs-in-use and economic sustainability.

Secondly, the market indicators used by valuers are determined. Again this is incorporated into both the questionnaire and the interviews. The questionnaire considers the information sources available to the valuer with the research participants required to record the importance of these sources in the valuation process. At the interviews this is explored further with the valuers' articulating what they perceive to be the key indicators in the marketplace. Additionally, the valuers were required to rate the importance of various factors in the valuation process.

Thirdly, the issue of lender pressure is investigated and the extent of this pressure on valuers. The consumer study revealed that incentives and premiums are prevalent in residential markets and how the valuer treats these incentives is determined at the interviews. Finally, the research considers the issue of economic sustainability in the overall valuation process. Initially, the experiences of valuers are examined in each country before the results are combined and discussed in detail.

6.2.3 Questionnaire Data

Following the questions relating to the research participants, the key factors considered important in a residential valuation were elucidated. Overall the valuers identified thirty-five different factors impacting on value. The Australian respondents provided the widest variety of factors, with nineteen various factors identified. In the main, the responses clustered around a few factors including location, condition, property specific and the market. From Table 6j, it is evident that there was no explicit reference to buyer behaviour although one UK respondent listed supply and demand as a key factor in the valuation process.

Key Factors	U.K.	IRL	AUS	Total
Location	3	4	5	12
Condition	4	2	-	6
Ancillary Improvements	-	-	1	1
Type of Construction	1	-	1	2
Standard of Construction	-	1	1	2
Structure	-	1	-	1
Quality	-	-	1	1
Property Specific	-	-	2	2
Accommodation	1	-	-	1
Presentation	-	-	3	3
Design	-	-	1	1
Fixtures and Fittings	-	-	1	1
Size	1	1	1	3
Decoration	-	1	-	1
Maintenance	-	1	1	2
Price	-	1	1	2
Facilities	1	-	-	1
Proximity to Amenities	1	2	-	3
Desirability of an Area	1	-	-	1
The Area (Neighbourhood)	1	-	-	1
Zoning & Town Planning	-	-	2	2
Schooling	1	-	-	1
Road Links	1	-	-	1
Economic Climate	1	-	-	1
Local Economy	-	-	1	1
The Market	1	-	4	5
Employment	1	1	-	2
Disposable Income	1	-	-	1
Environment	1	1	-	2
Comparables	1	-	1	2
Supply and demand	1	-	-	1
Industry	-	1	-	1
Government Policy	-	-	1	1
Highest & Best Use of Land	-	-	1	1
Consumer Confidence	-	-	1	1

Table 6j Key Factors Influencing Value

Having established what valuers perceive to be the key factors influencing value, the questionnaire focussed on clarifying whether the valuation methods used by practising valuers account for buyer behaviour accurately. The impact of buyer behaviour on the valuation process was initially assessed through a ranking exercise in which the valuer was required to rank the importance of buyer behaviour alongside thirteen other key factors revealed through the literature. Two of the research participants responded incorrectly and as such, these are deemed as null ballots.

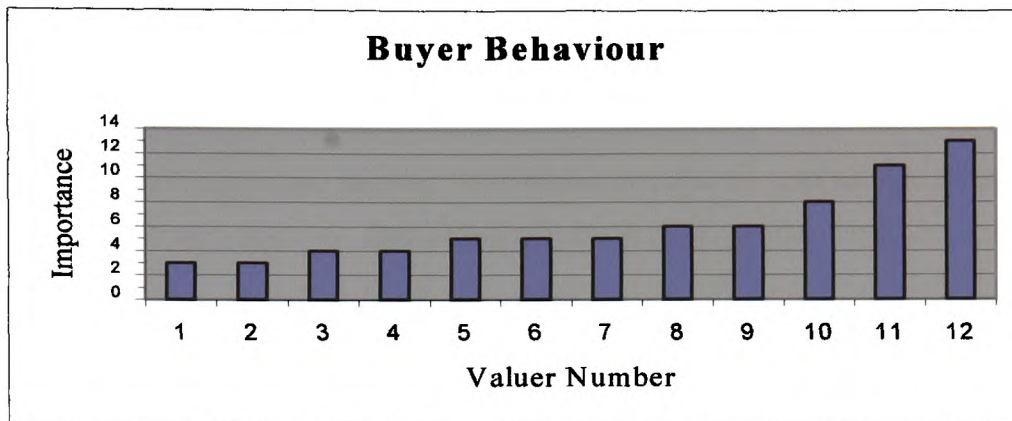


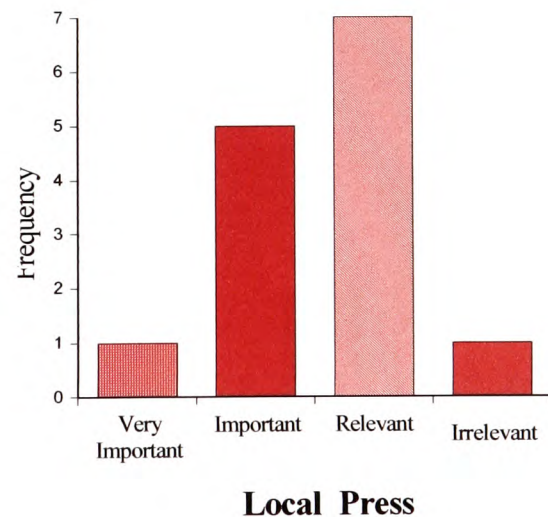
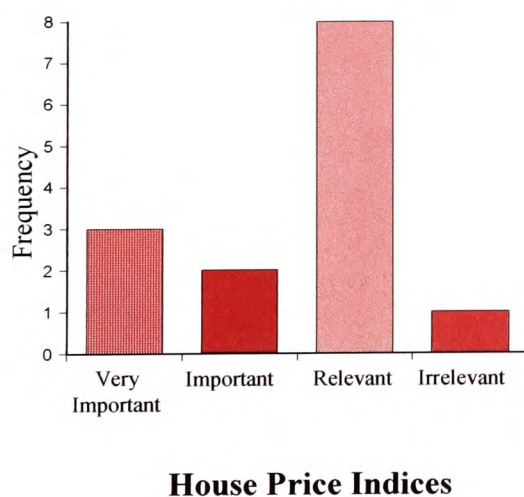
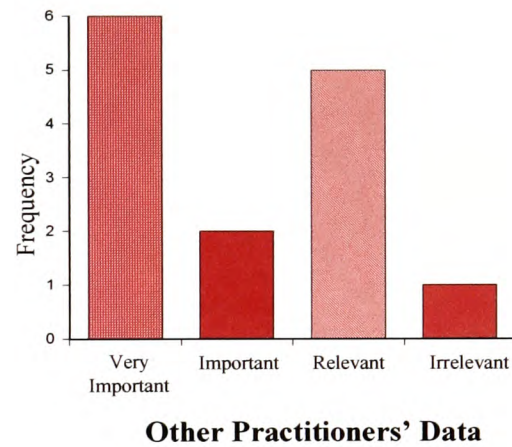
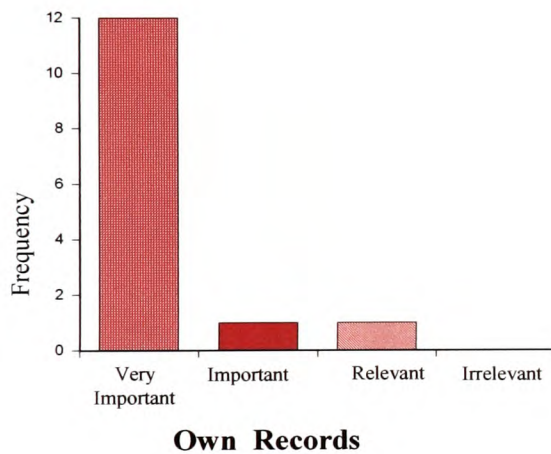
Figure 6c Importance of Buyer Behaviour in the Valuation

Overall, it is evident from Figure 6c that nine respondents ranked buyer behaviour in the top half of key factors considered important in the valuation process. The results suggest that valuers are aware of buyer behaviour and believe that it is important in the valuation process. However, an explanation for what is understood by buyer behaviour is explored at the interviews with the discussion focusing on how valuers quantify it in the valuation process.

Market Data	Frequency
Comparable Transactions	7
Planning & Development	5
Interest Rates	4
Bank Reviews	3
Supply and Demand	2
House Price Indices	2
Other Practitioners Records	2
National/Professional Press	2
Local Knowledge	2
Length of Exposure	2
Building Costs	2
Property Market	2
Employment/Unemployment	2
New Industry	2
Relevant Legislation	1
Local Economy	1
Mortgage Markets	1
Retail Sales	1
Inflation Rate	1
Land Registry Data	1

Table 6k Market Data Monitored by Valuers

With regard to residential property markets, the data used by valuers in the valuation process were identified. Table 6k outlines the data monitored by the valuers in the three countries with comparable transaction data the most frequently mentioned source. Planning and development and interest rates were also primary data sources identified. Subsequently, valuers were provided with a list of information sources typically available to practising valuers with the respondents required to record the importance of these sources with regard to their own valuation work. As such, a total of fourteen information sources were provided, with the respondents required to rate the importance of these sources on a four point scale ranging from very important to irrelevant.



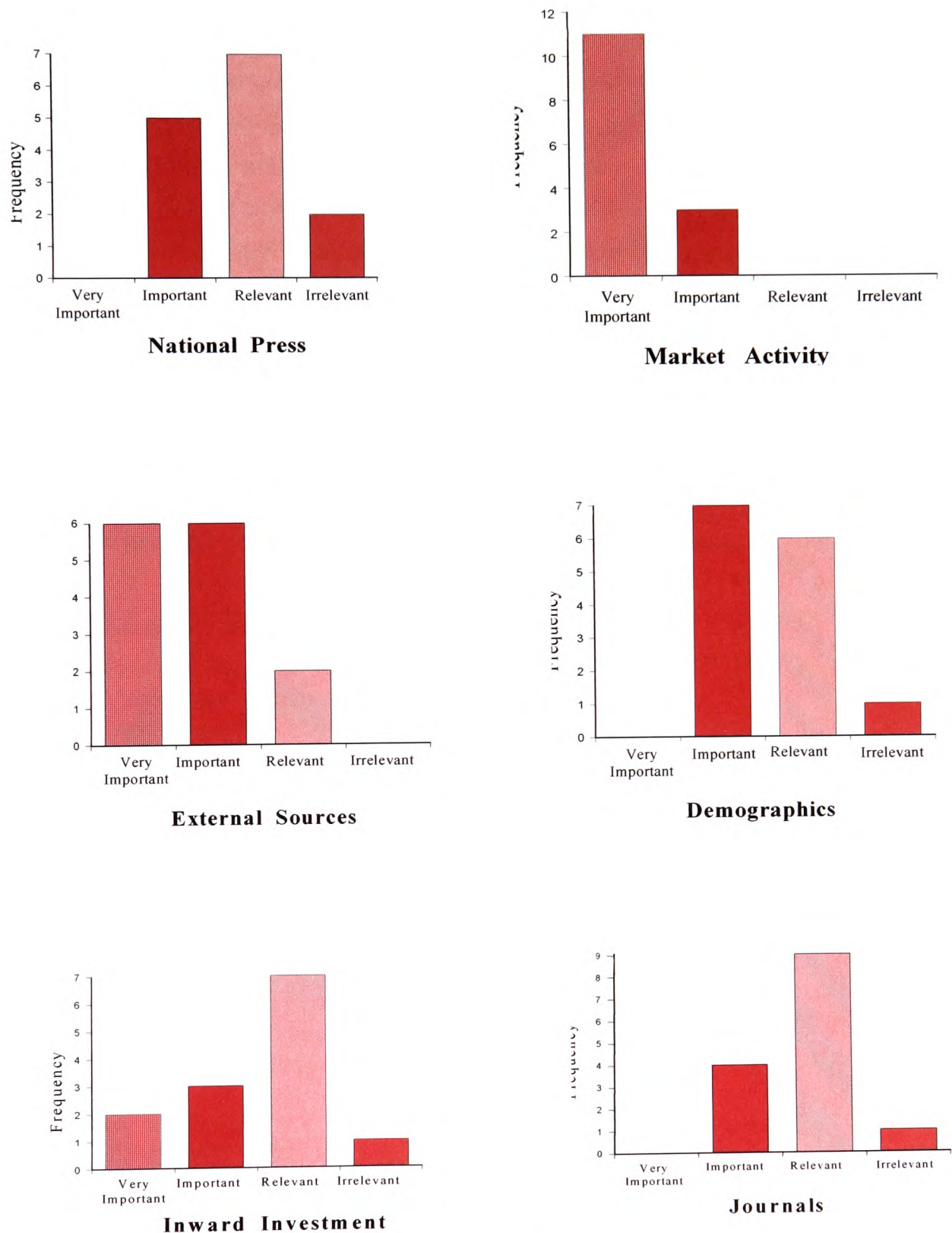


Figure 6d Importance of Various Information Sources

Notably from the graphs contained within Figure 6d valuers' own transaction records were considered very important by twelve respondents. Both in-house and external sources of market activity were regarded as very important with other practitioner's data considered important although a more varied response was provided. Local and national press had similar responses with the majority considering these sources both relevant and important. However, inward investment, demographics and professional journals were only deemed relevant with a further five valuers regarded these sources as irrelevant.

Specifically, the economic information considered by valuers was investigated with initially, an open style question exploring the type of data considered by the valuation experts. From Table 6l it is evident that the economic information considered by the valuation experts in each of the countries investigated focuses mainly on interest rates and to a lesser degree government policy and employment opportunities.

Economic Information	U.K.	IRL.	Aus.	Total
Cost of Borrowing (interest rate)	2	3	4	9
Employment Opportunities	1	2	2	5
Government Policy	1	2	2	5
Planning and Development	-	-	3	3
General Economic Information	2	-	-	2
Bank Policy	-	1	1	2
Press	-	2	-	2
Consumer Confidence	-	-	2	2
Retail Figures	-	-	2	2
Professional Journals/Databases	1	-	-	1
House Price : Earning Ratio	1	-	-	1
Building Costs	1	-	-	1
Housing Policy	1	-	-	1
Central Statistics Office	-	1	-	1
Salary levels and Pay Increases	-	1	-	1
Inflation	-	-	1	1
Local Economy	-	-	1	1
Consumer Price Index	-	-	1	1

Table 6l Economic Information Monitored in each Country

One valuer replied to the question with "*none on a daily basis*", however, this respondent was unique. However, the level to which this information is monitored was also explored. Overall, valuers' believe that data should be monitored at a local and

national level. Of the fourteen respondents eleven do not consider a global perspective and ten do not consider an international approach. Consequently, it is evident that only a third of the research respondents were internationally aware as depicted in Figure 6e.

The negative response is surprising in light of globalisation trends, in particular, in relation to the lending markets.

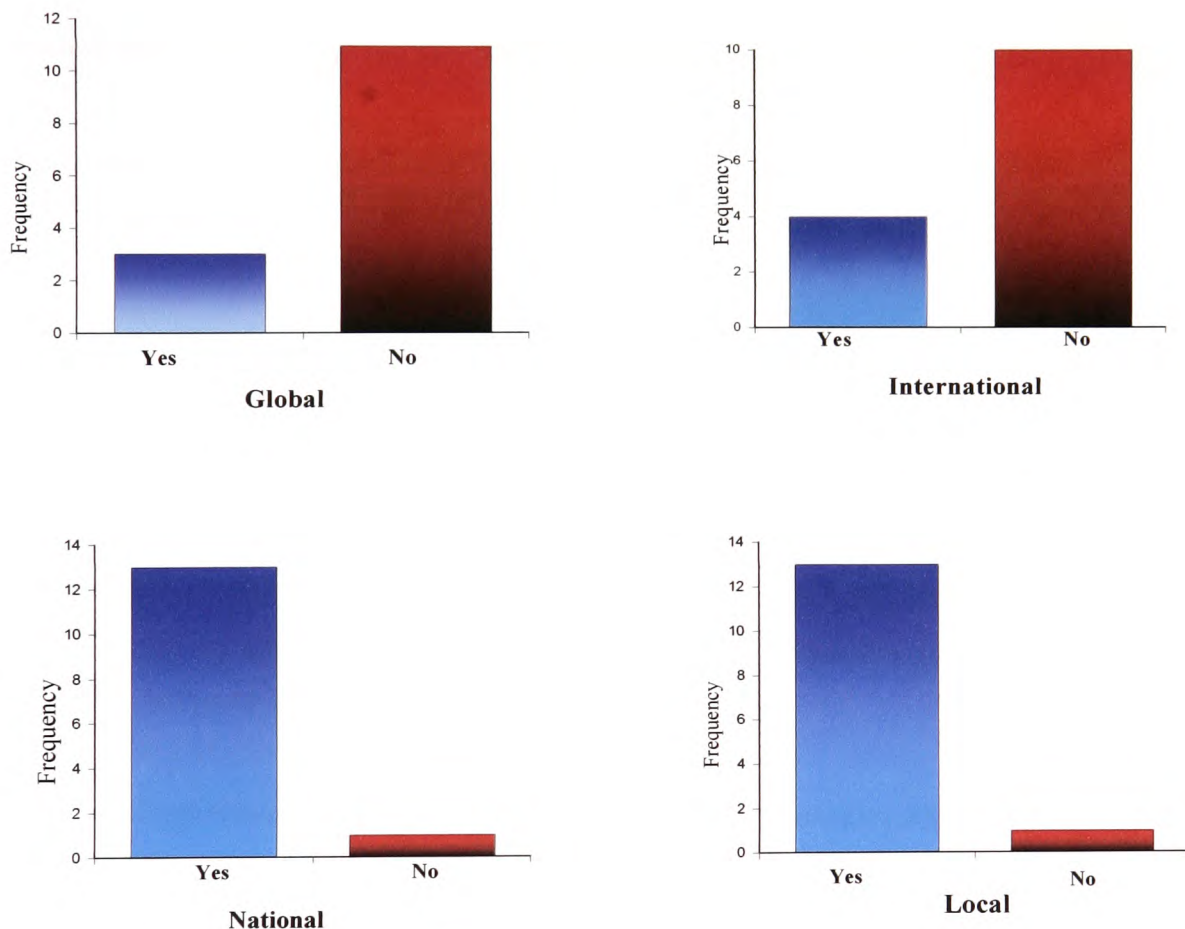


Figure 6e Level of Monitoring Economic Data

The information collected through the questionnaire provided a basis for discussion at the interviews as the questions included directly related to the main aims and objectives of the research. However, to overcome any bias encountered by providing valuers with information in the questionnaire the questions are considered again at the interviews which allowed further probing of the responses given.

6.3 Results of Interviews with Valuers

A total of fifteen valuers took part in the valuation study, consisting of interviews with valuers in Cardiff, Cork and Toowoomba. Fourteen of the fifteen interviews followed a face-to-face interviewing approach, with one interview conducted by telephone. The valuation experts included in the research were issued with a number from one to fifteen preceded by the letters 'AV' to denote 'Anonymous Valuer'. The numbering follows the country of origin with AV1 to AV5 representing the British valuers, AV6 to AV10 representing the Irish valuers and AV11 to AV15 representing the Australian valuers.

Initially, the valuers' experiences in each country are combined and discussed before an overview of all the information gathered in the valuation study is presented.

6.3.1 Interview Data United Kingdom

To determine whether valuers account for buyer behaviour accurately initially the key factors considered in the valuation process were elucidated. From the data it can be seen that the UK sample of valuation experts devote most of their energy to relatively few factors including location in terms of neighbourhood and proximity to schools, property condition, property type, and accommodation.

All of the respondents highlighted property condition as a key factor in the valuation often placing it first. In this respect, two valuers stated that most important factors are the condition of the property. Anon Valuer 1 articulated the reason why property condition should feature so highly in the valuation process, as “...*most litigation arising from valuation negligence relates to the property's condition*”.

This emphasis is quite understandable considering the historical context of UK housing markets (see Chapter One). However, such emphasis on property condition has a distorting effect on the valuation process because the impact of 'repair condition' on the valuation of a specific property is typically quite small. Therefore, remedial costs can usually be summed and deducted from the estimate of OMV established through the

comparative process. Regardless, part of the adjustment process attempts to smooth differences in repair out of the calculation.

Supply and demand was also identified as a key factor influencing value, with Anon Valuer 5 explaining that “*its...assessing supply and demand of the actual properties that are available*”. As such, in terms of the information used by practising valuers to produce a valuation Table 6m outlines the data sources identified by the UK valuation experts.

	In-house Database	Valuers Network	Journals & Professional Press	Local Press	House Price Indices	Other
AV 1	Yes		Yes	Yes	-	Internet listings and auction results
AV 2	-	-	Yes	Yes	-	-
AV 3	-	-	Yes	-	Yes	-
AV 4	Yes	Yes	Yes	Yes	Yes	-
AV 5	Yes	Yes	-	-	-	Multiple listing service

Table 6m Data Sources Identified by UK Valuers^a

Anon Valuer 1 reports that “*In-house database systems would be the first source for obtaining comparable data*”. Anon Valuer 4 also agrees that in-house database systems are the first and foremost source of information, as these are considered both accurate and reliable in that “*We have our own in-house database system...with 7,000 sales a year in the database system, for Wales it is pretty accurate*”. Anon Valuer 2 maintains that an overall sense of the market in terms of trends is the important issue with Anon Valuer 3 suggesting that house price indices (HPI's) are an important data source.

It would appear that valuers have a strong reliance on database systems for comparative information and essentially valuers do not explicitly consider consumer profiles in their analysis. In this respect, supply and demand relates to buyer behaviour with all the UK valuers ranking buyer behaviour in the top half of important factors in the questionnaire.

^a Blank entries in Table 6m do not mean that valuers do not use the data sources, simply they did not mention them as important sources of data.

However, although it was ranked as a high influence on value, there seems to be no common understanding of what the term means. In this respect, buyer behaviour meant the following to four of the British valuers:

Anon Valuer 1 - 'supply and demand'

Anon Valuer 2 - 'a property's type and its location'

Anon Valuer 3 - 'Basically, demand...'

Anon Valuer 4 - 'buyer behaviour overlaps with location'

According to Anon Valuer 1 buyer behaviour is reflected in "*trends in supply and demand*", and that the valuer must establish whether the market is "*driven by demand*". Anon Valuer 3 has similar views confirming that basically buyer behaviour comes down to "*demand, and the extent of a particular type of demand in the market place*". However, with regard to assessing buyer behaviour, Anon Valuer 2 provided an explanation in terms of "*a property's type and its location...It's a façade (sic) of a property's desirability to a market segment*", and "*buyer behaviour is contributory with regard to the fashionability of a property*". It was evident from the data that the UK valuation experts displayed a common tendency of offering an explanation for buyer behaviour in terms of school catchment areas.

It would appear that Anon Valuer 4 came the closest to identifying the nub of 'buyer behaviour' by suggesting that valuers need to establish what buyers want in the various market segments. As such, "*...buyer behaviour overlaps with location...knowing what buyers want in the various segments is important when valuing residential property is concerned*". However, while valuers may have a feel for 'what the buyer wants', Anon Valuer 3 explains that these factors "*do not explicitly get attention in the mortgage valuation*" (emphasis added).

Consequently, whether costs-in-use receive attention (explicitly or otherwise) in a mortgage valuation was considered, as this was a key factor identified in the consumer study. However, only one valuation expert recognised costs-in-use in relation to the new-homes market. It was suggested that "*...we would always explicitly say what guarantees cover the property so that if anything goes wrong its straight back to the*

builder". As a consequence, "*New homes would be considered low maintenance homes for at least ten years*".

While valuers are aware of running costs as an issue, they do not consider them as an aspect of valuation. Furthermore, the experts included in the study doubt that costs-in-use impact on value except in special circumstances such as a property with a thatched roof or high-ceilinged period homes. However, even here the cost-in-use factor may be out-weighed by 'desirability', as Anon Valuer 2 reports that there is a "*maintenance and running cost factor but the desirability or fashionability of these houses out weighs the costs-in-use*".

It is clearly evident that the UK respondents consider the valuers' role as gaining an overall sense of the market or a general view of 'trends'. As a consequence, the research investigated the indicators used by valuers to interpret market activity.

AV1	Incentives given by builders; interest rates; what is happening in the London and south-east region; global politics; investment markets.
AV2	Contact with business professionals; the Bank of England monthly briefings; general economic sea changes; the south-east is always an indicator; lending policies; borrowing confidence.
AV3	Immersion in local markets and networks; market too fragmented for national indicators.
AV4	Interest rates; environmental factors; contact with colleagues; and the local press.
AV5	Interest rates.

Table 6n Indicators Employed by UK Valuers

It is evident from Table 6n that the UK valuers consistently referred to interest rates or the Bank of England briefings that generate them as the main indicator. Overall, there is a general awareness of the need to have a finger on the pulse of the market but the way to approach this could be summed up as Anon Valuer 4 reports, "*Contact with other agents is very important*". The herd instinct appears quite strong with an emphasis on networking and local economic information.

In the UK context, leading indicators are informal and anecdotal with little evidence of consistent quantification. However, this is not to say that quantities are not generated with leading practitioners aware of the need for hard data as opposed to soft information. In this respect, indicators of the level of current market activity are generated by more advanced firms such as ‘Hometrack’^b. It is apparent that lenders, particularly those with a global orientation would use indicators, and if valuers are to resist exclusion by lenders they must be able to interpret the market accurately.

Another issue raised in the consumer study concerns incentives and premiums, which are highly prevalent in residential markets. How the valuer treats these incentives is determined at the interviews with all of the valuation experts having encountered premiums or discounts in the sale process. Initially, the research focused on whether these incentives and premiums affect valuation methodology with Anon Valuer 1 confirming that “*Undoubtedly the incentives and premiums given by builders have an impact on the valuation*” (emphasis added).

Most commonly valuers meet with package deals that are used by housing developers to increase sales at times of depressed demand. There are various different deals available in the market including builders offering to purchase the potential buyer’s property in a part-exchange deal, as previously described in the consumer study. This part-exchange deal may well involve some discount on the sale price of the older home, or as Anon Valuer 2 reports in a more buoyant market, “*Usually the price of the new house is inflated to take account of the fact that the builders can then give purchasers 100% of the value of their old home*”.

Another common package includes payment of all the purchasers’ costs on moving including agency fees by selling their house, stamp duty, legal fees and removal costs. These deals involve significant amounts of money and are additional incentives above the normal ‘new homes’ price that in any case includes fitted kitchens and sometimes white goods and fittings such as carpets and curtains. Some part-exchange deals have been translated into the wider homes market with the research also identifying a

^b <http://www.hometrack.co.uk/> - Organisation specialising in market activity

'deposit paid' or 'cash-back' deal where vendors pay the purchaser up to 5% of the purchase price.

For lenders concerned about the security of an asset the attitude should be, "...lenders are interested in the net price and properties would have to be devalued accordingly", as described by Anon Valuer 1. However, not all lenders behave in this way with Anon Valuer 5 reporting that, "...really lenders don't want to know which can effect our professional indemnity". What is also interesting is that there would appear to be an unwritten rule regarding valuation accuracy levels in that "Well most building societies and lending institutions allow a 5% threshold. So basically as long as these incentives do not affect the purchase price more than 5%, they do not get special treatment" (Anon Valuer 3).

Of course this can result in considerable pressure on valuers with Anon Valuer 2 explaining that "There is a large element of pressure on valuers not to deduct the premiums attached to new homes and facilitate business through the confirmation of the bid price". However, valuers' attitudes to this pressure vary considerably with Anon Valuer 3, in what appears to be a complete surrender to lender pressure, stated that "These valuations are basically realistic valuations in times of low demand...If the market is buoyant and demand is high part-exchange deals do not exist". On another note, Anon Valuer 4 regards the issue as "...not good practice to under-value a property and ultimately affect a sale by another professional as I wouldn't want someone upsetting one of my sales".

Most notably from the above is the lack of reference to the residential consumers, who are the inevitable victim of an inaccurate valuation that failed to deduct incentives or premiums. This, however, may be insignificant in light of the fact that some valuers believe the future of valuation is 'desktop valuations'. Lenders will look at the lending ratios, and those with the right ratio will go ahead and there will be no need for valuations. As Anon Valuer 5 reported "Currently, lenders are buying large amounts of data...cleverly excluded the estate agency and panelling of valuers is coming to an end with in-house homebuyers' reports taking over. Today the small surveyor is a risk for insurance companies".

However, databases used for comparable transactions are only one source of information available to the valuer. To combat large lenders that are increasingly more globally orientated valuers should resist confirming bid price and employ other sources of information that are available to the valuer. The weight placed on the condition of the property and the actual survey is evident from the data and it appears that this emphasis on repair and condition exaggerates the importance of a survey in the estimate of worth. Consequently, the emphasis on condition may be considered an ally to the valuer as it lends itself to resisting the pressure from lenders and competitive pressure more generally

Overall, the data suggests that valuers do not think that the issues raised by the consumers warrant attention in a mortgage valuation suggesting that the behavioural factors identified in the consumer study do not feature in UK valuation practice. It is particularly evident from the data that buyer behaviour in the valuation is overridden by the fact that valuers perceive the goal (objective) of a mortgage valuation as confirming the transaction price. In this respect Anon Valuer 1 explains that “...*essentially a mortgage valuation is a confirmation of the bid price as agreed by the purchaser and vendor*”. Anon Valuer 4 also accepts that currently the objective of a mortgage valuation is “*just confirming price*”.

However, the origin of this valuation goal points toward the lenders with Anon Valuer 5 reporting that “*Oh definitely. There is always pressure from lenders to value to the bid price, it goes without saying*”, (emphasis added). Previous research established that the bid price is invariably given to the valuer by the lender (Gronow, et. al. 1996¹). Consequently, the valuers’ views in relation to not being given the purchase price were identified, with valuers in general quite happy to confirm the bid price because “*it makes the job a lot easier*”.

Also, it is clearly evident that valuers are more concerned with the effect that this would have on lenders and their business activities. According to Anon Valuer 5 it “...*would not be helpful to lenders as it would cause delays and problems...consultation between the lender and valuer would be necessary and delays would arise...very aggressive market with speed and fast service being the important factor*”. Furthermore, Anon Valuer 4 explains that, “*It would slow the process down which is costly and hence the*

reason for it never happening. Speed is the essence in mortgage valuation.... Anon Valuer 3 summed the situation as, *“For the lender securing business is the objective and delays would hinder business”*.

Valuers in the UK are only too aware of the pressure to confirm the bid price and as a whole it is not a pressure that is resisted. However, there is an acknowledgement that if the price was withheld the valuation would be better, more objective – but slower. The study investigated a related issue concerning the length of time that a mortgage valuation figure should be considered applicable. Anon Valuer 1 recommends that *“In terms of the valuation itself...a period of six months and really once a 12-month period has elapsed another fresh valuation would be required”*.

In general, the UK valuation experts suggest that it is not possible to say how long a valuation should be considered applicable, as it largely depends on the prevailing market conditions. According to Anon Valuer 2 *“In the current climate I suppose we look at it as a barometer time of six to eight weeks on the market”*. However, it would seem from this response that the question was interpreted in terms of selling periods and not valuation periods.

Nevertheless, Anon Valuer 4 reports that *“The rule in our organisation is six months, and a day over the six months requires a fresh valuation”* and Anon Valuer 5 states that *“Personally, I would be saying three months...after that it may become stale”*. Overall, three to six months would be the most that the UK valuers would guarantee a residential valuation. A pertinent issue arising from the consumer study concerned sustainable asset values. In terms of a valuation shelf life a sustainable valuation would obviously hold over a longer period of time and in today’s consumer orientated society whether sustainability is considered in the valuation was investigated.

As such valuers were probed on whether they specifically account for this in the valuation process with Anon Valuer 5 confirming that sustainability is considered in the valuation process through the examination of trends, in particular, looking at peaks and troughs. Anon Valuer 1 agrees but states that *“it is hard to say exactly how economic sustainability features although I think it does”*, with Anon Valuer 2 explaining that

sustainability is considered in terms of *“location...examining catchment areas and assessing ease of re-sale on that basis is very common”*.

However, Anon Valuer 3 points out that sustainability is considered in the valuation *“but with low priority”* which is due to the fact that a mortgage valuation is *“a point in time”* exercise. Consequentially, the future saleability of a property is not considered, although *“the purchaser during the decision-making process will have considered the issue of sustainability”*. Overall, three valuers stated that in terms of assessing economic sustainability responsibility falls to the consumers. In this respect, Anon Valuer 5 confirms that *“well yes, buying property, any kind of property is an investment...and is something the buyer considers”*.

Conversely, Anon Valuer 4 suggests that *“apart from choosing the right location, I don’t think homeowners go further than that in their consideration of investment determinants”*. This was the only respondent to state that sustainability should not be considered in a mortgage valuation due to the fact that government policy does not change overnight and, as such sustainability does not warrant attention in the valuation.

6.3.2 Interview Data Ireland

With regard to the key factors considered important, again the responses cluster around a few factors encompassing location, the structure, amenities and the environment, the type (terraced, semi-detached or detached), and, the size of the property in terms of both accommodation and gardens. Two valuers reported that due to the fact that the valuer is really going out to confirm the price it was difficult to articulate the key factors in the valuation process. Nevertheless, priority was given to location with the mantra *“location, location, location”*, quoted by two valuers.

Overall, there was a clear regard to property condition although Anon Valuer 8 stated that in terms of valuations in general *“deductions and additions for maintenance qualities would not be made”*. This may be due to the fact that Ireland has not experienced the same level of legal cases set against valuers for survey negligence nor

did it experience negative equity to the same degree as the UK following the house price collapse of the late eighties.

The research established the information sources used by valuers in Ireland with Table 60 outlining the sources identified. It would appear from the data that valuers in Ireland place a significant amount of importance on local, national and professional press.

	In-house Database	Valuers Network	Journals & Professional Press	Local Press	House Price Indices	Other
AV 6	-	-	Yes	-	-	Government status; Quarterly bulletins
AV 7	-	-	Yes	-	Yes	-
AV 8	Yes	Yes	Yes	Yes	Yes	Comparables; National Press
AV 9	-	-	-	Yes	-	Internet
AV 10	-	-	Yes	Yes	-	National Press

Table 60 Data Sources Identified by Irish Valuers^c

Unlike the UK and Australian respondents, all the Irish research participants are practising estate agents as well as mortgage valuers for the main mortgage lenders in Ireland. This may explain why there was no reference to in-house data sources and only one explicit reference to valuers' network. As such, in the main it is taken for granted that these sources are available through the course of an estate agents'/valuers' daily activities. Regardless, the questionnaire revealed that the valuers ranked 'own transaction records' as 'very important' right across the board with 'other practitioners records' also ranked important by the Irish and UK respondents. Furthermore, the benefit of contact with other agents is undisputed, however it should not be the only source used.

Overall, with regard to buyer behaviour it would appear that all of the Irish respondents consider these preferences in the valuation process. Anon Valuer 8 suggested that *"What I understand to mean for buyer behaviour is related to supply and demand"*. In

^c Blank entries in Table 60 do not mean that the valuers do not use the data sources, simply that they did not mention them as important sources of data.

general buyer behaviour is determined through locational factors with Anon Valuer 6 articulating that *“Buyer behaviour does feature in the valuation process but I would probably put it under the umbrella of locational factors, assessing what type of demand is likely for a particular property”*.

As such, some respondents referred to ‘supply and demand’, with others referring to ‘location’ as in the UK. However, according to Anon Valuer 8, *“... the pertinent consideration is affordability with actual location and condition secondary to this”*. Anon Valuer 7 identified how supply and demand is considered in the valuation as *“the likely purchaser would be identified”*. The Irish valuers referred to lifecycle stage and profiling buyers in loosely drawn categories such as FTB’s’. According to Anon Valuer 10, the market segment is examined in terms of *“whether you’re looking at FTB’s or a large family home”*. However, buyer behaviour was also referred to in the sense of the ‘herd’ that had developed in the scramble to buy houses given short supply with Anon Valuer 9 stating that *“... we are dealing with so many buyers that one gets a feel for what buyers want”*.

In relation to costs-in-use Anon Valuer 6 reporting that this type of outgoing is usually covered *“...under the property description, in that the property might be a modern building, with a modern construction covered by a homebuyers guarantee...”*. Some institutions include a specific questioning regarding homebuyers’ guarantees and simply stating on the report that the property is covered by such guarantee is sufficient regard for costs-in-use. On the other hand, period properties such as Georgian houses incur costs-in-use so the issue would be considered in more detail. However, *“...it would be outside our expertise to actually put figures to the related costs. It is up to the lender as to whether they want to investigate the maintenance issue further”*, (Anon Valuer 6).

Anon Valuer 7 displayed similar views in that costs-in-use would only arise with ‘large manor’ type properties where a regular outlay for maintenance is required, *“then certainly a note of this expenditure would be made and the lender informed”*.

Conversely, Anon Valuer 10 reports that *“Those kinds of things are reflected in the selling price”* and that house prices include these factors in determining price and do not feature in a mortgage valuation. Therefore, the purchaser in buying the house should have had regard for all these maintenance factors.

Overall, the sample of Irish valuers were not only aware of running costs as an issue, but with one exception they all considered them as an aspect of valuation thereby confirming that costs-in-use impact on value. With regard to the indicators used by the valuers in Ireland Table 6p outlines the leading indicators identified.

AV6	Interest rates.
AV7	Interest rates; rate of inflation; equity market; global markets including the US stock market.
AV8	Interest rates; rate of inflation; national press; relevant professional articles.
AV9	Interest rates; stamp duty; rental market.
AV10	General economic situation; national press.

Table 6p Indicators Employed by Irish Valuers

The Irish valuers gave the impression that interest rates were the only tool that is consistently used. Perhaps this has been conditioned by the way that house prices have risen almost inversely proportionally with the fall in interest rates that has accompanied monetary union. However there are other key factors at work in the economy and the valuers also referred appropriately to:

- the US Stock markets (given the dependency of the Green Tiger on inward investment originating in the long US boom); and,
- government policy/ rental market activity (given the Bacon Reports and government attempts to prick speculative bubbles).

The Irish market has been very brisk and as a consequence incentives of the type documented in the UK are perhaps less common with the only response tending to suggest that valuers would confirm the bid price. It is clearly evident from the data that valuers in Ireland yield to the pressure of confirming bid price, although the disclosure of bid price to valuers is routine but not universal. Anon Valuer 8 confirms that *“...normally the purchase price is included on the instruction sheet...This is the OMV, and as such the valuation confirms this price”*.

According to Anon Valuer 7 *“in essence... a mortgage valuation really just confirms the price agreed...”*. Furthermore, *“the lenders attitude is basically that they don’t want to know the details just confirm the price”*. This has severe implications on valuation methodology as discussed by Anon Valuer 6 who acknowledges that *“residential valuations would definitely benefit from a more explicit valuation”*.

However, the lender does not always provide the purchase price and in such circumstances the valuation would be undertaken without transaction price information. According to Anon Valuer 6, the valuer is required to take a detached look at the market and examine whether the property is really worth the bid price. It relies on the valuer’s experience of the market, their personal knowledge of the market place, and the comparable information available. However, the valuer is aware that *“...the figure is there, the pressure is there and you may be tempted to just confirm the price agreed. There is pressure from lenders to value to the bid price and not change the price agreed if the valuation is within the 5% threshold”*, (Anon Valuer 6).

Overall, there is acknowledgement that the emphasis behind the valuation from the lender’s point of view is *“to get the deal done, lets get finance in place”*. However, there is also clear regard of the fact that the *“...buck stops with the valuer”*. Additionally, the lender was blamed in one instance because the lender issues the valuation forms that normally encompass a one-page document and pays for the work up front accepting work that is basically a confirmation of price and not a real valuation. As a result, purchasers are at risk of negative equity should interest rates increase with consumers in general being very ignorant of the system as they complete maybe two or three property transactions in a lifetime whereas the valuer encounters property deals on a daily basis, as discussed by Anon Valuer 6.

Nonetheless, valuers who go against the price paid run the risk of losing business from the lender with Anon Valuer 6 adding *“...of course there is the added pressure from the purchasers who have possibly incurred costs, there’s pressure from all sides”*. Overall, four Irish respondents acknowledged lender pressure with two stating that *“the valuer is under pressure from the lender to facilitate business”*.

Alarmingly, not only is the valuer placed under pressure but Anon Valuer 7 reports that pressure is also put on the purchaser, in that a low valuation would result in the lender advising the purchaser to find a valuer who will value to the agreed price! Conversely, Anon Valuer 10 regards his status as an independent valuer who provides a “...*fair reasonable and accurate current market value*”, and that pressure does not occur except in relation to upsetting the sale of a colleague. However, with regard to conducting valuations without transaction price information Anon Valuer 10 accepts that “...*you would be putting valuers to the pin of their collar...scrutinise the market in a better way*”.

Overall, the valuers articulate clear evidence of lender pressure to reduce the exercise to a confirmation of bid price. There is also evidence to suggest that an unwritten rule exists, where the DCC process provides information to establish a value 5% below the bid price, the bid price may be confirmed. However, valuers appear to have a more tenacious grip on traditional valuation methodology than their UK counterparts acknowledging that residential valuations would benefit from being more explicit. It is also apparent that some lenders supply data on the size of the loan applied for. This adds a further subtle pressure. If the bid price is full there is evidence to suggest that valuers will more readily look to endorse the figure where the loan is a smaller proportion of value with less consequent risk to the lender.

Another interesting issue to emerge from the discussion of lender pressure concerns local knowledge. One of the valuers makes reference to the fact that a distant lender is capable of over-ruling a local valuer's decision. In this respect, it is apparent that lenders will have a strategic view of markets and very often they will be able to identify and quantify the impact of structural changes in markets, established through trends of aggregate data that outweigh local considerations. The synthesis of this tension is to be found by acknowledging that both local and strategic considerations are important and should be carefully weighed.

With regard to the length of time that a valuation should apply, the Irish valuers were very specific in that “*valuations are a point in time exercise*”. However, two valuers regard the issue as dependent on the market conditions with Anon Valuer 6 reporting that “*In the current market conditions it would be for a shorter period, I would say a*

maximum of six months at the moment due to the rapidly changing market. Really it's a point in time valuation". Consequently, it seemed relevant to enquire as to whether the valuation methods employed change in response to these different market conditions. Anon Valuer 7 confirms that most *"Definitely...the economic situation at the time of valuation is considered"*. However, Anon Valuer 6 accepts market conditions vary and certainly, it makes mortgage valuations increasingly *"tricky"*. Anon Valuer 8 suggests that it comes down to being *"conservative"* and valuations should be regarded as a point in time exercise.

Overall, valuers acknowledge that valuation is more difficult in fast moving markets and appeal for a more cautious attitude but there were no obvious suggestions for a change of method. Anon Valuer 10 states that there is nothing a valuer can do if there is *"...a willing buyer and willing seller"*.

With regard to economic sustainability Anon Valuer 6 confirms that it does feature in the valuation *"...but its trying to judge and quantify and account for it"*. According to Anon Valuer 9 sustainability is factored but suggests that responsibility falls to the consumer, *"Anyone looking to buy a house should look...at its future saleability"*. The valuers unanimously agree here that *"...that every purchaser considers whether they will be able to sell the house in the future"*. The valuers also provided commentary in relation to 'unsustainable house prices', suggesting that it is not the valuers' fault *"as we don't use crystal balls"*, (Anon Valuer 5) or should *"... the bottom falls out of the market and property values go down that's not the valuer's fault"*, (Anon Valuer 10). However, Anon Valuer 8 reported that the assessment of sustainability in the valuation is dependent on the *"...hat I'm wearing, an auctioneer's or a valuer's"*.

6.3.3 Interview Data Australia

The Australian interviews began with a description of the main valuation method used for residential mortgage valuations because the country's practices are less familiar to the researcher and required clarification from the research participants. Anon Valuer 14 confirms that the main method used is *"Direct sales comparison, basically analysis of sales evidence"*. The comparative method or DCC approach is used extensively in

Australia, and it was established that valuers obtain their comparative sales information through a commercial database system called RP Data. According to Anon Valuer 12, *“...RP Data is the real property description, which is information compiled by a commercial outfit, called RP Data. They basically compile the information held by the Department of Natural Resources who record all property transactions in the state of Queensland. Most valuers will rely on RP Data, for the comparable information”*.

Valuers also rely heavily on information from professional colleagues, as valuation and estate agency businesses normally operate as separate entities in Australia. As such, Anon Valuer 12 suggests that *“valuers rely heavily on other reputable agents”*, and in particular, *“if a property is only attractive to a limited market segment, this would be highlighted as in most instances it will take longer to sell”*. Obviously, to ascertain information in relation to selling periods would require information from a selling agent active in the marketplace. Overall, three valuers identified contact with other valuers as important.

In terms of the information sources used by valuers in Australia, Table 6q outlines in brief the sources identified. From the data it is evident that valuers rely heavily on both multiple listing services and in-house database systems for the comparative information.

	In-house Database	Valuers Network	Journals & Professional Press	Local Press	House Price Indices	Other
AV 11	Yes	Yes	No	Yes	-	Multiple listing service
AV 12	Yes	Yes	Yes	Yes	-	Multiple listing service
AV 13	-	Yes	-	-	-	-
AV 14	Yes	Yes	-	Yes	-	Multiple listing service
AV 15	Yes	-	Yes	Yes	-	Multiple listing service

Table 6q Data Sources Identified by Australian Valuers^d

^d Blank entries in Table 6q do not mean that the valuers do not use the data sources, simply that they did not mention them as important sources of data.

With regard to the key factors impacting on value the Australian valuers invariably cited location as the prime factor. Socio-economic factors and race were identified in the context of location, as was the concept of neighbourhood and market segment. It would appear from the data that the nature of the market structure is reckoned more highly than in the European arena due to the more widespread use of timber. Indeed valuers' references to 'style' and 'presentation' in this context also relate most often to the structure because of the highly prized timber-built Queenslander house. Despite this particular contextual meaning, style, size, accommodation and 'type' also have the more usual meaning and figure in the shortlists of key factors.

Australian valuers also referred to the 'appeal' of the property and to fixtures and fittings, especially bathrooms and kitchens that relate more directly to buyer preferences. There were two explicit references to consumer 'demand' as a key factor that influence value which was explained in terms of the 'style' and 'appeal' of the property.

According to Anon Valuer 12 *"Identifying demand is most definitely part of the valuer's role"*. Anon Valuer 15 articulated how demand is assessed in terms of *"Profiling the different buyers such as first homebuyers (FTBs), families or investors"*. On the other hand, Anon Valuer 13 regards *"buyer behaviour"* as *"hard to determine and analyse"*. However, in general, there was a uniformly affirmative response in terms of accounting for buyer behaviour in the valuation process. Anon Valuer 11 perhaps summarised the view in that realistically investment determinants are the total contribution to the market including aesthetic and sentimental value.

There were a variety of opinions from the Australian valuers with regard to costs-in-use. According to Anon Valuer 11 *"Certainly, when undertaking a valuation for a lender with a lot of these older homes we do specifically comment on some of the maintenance factors that would have a bearing on the sustainability of the value..."*.

However, Anon Valuer 12 regards the issue as *"...considered in the market place and in the purchase price. Houses are compared like with like and as such maintenance factors are part and parcel of the process"*. Conversely, Anon Valuer 14 considers that the *"houses in Toowoomba would have similar running costs, rates may vary but that's*

about it...costs relating to ownership do not really vary". As such, Anon Valuer 15 explains that the issue is not considered from a maintenance point of view and that normally operating or prime costs would not receive explicit attention in a valuation. Moreover, it was regarded that these factors would be reflected in the house price.

The indicators used by valuers in Australia were also explored with Anon Valuer 13 offering quantities in relation to relevant indicators such as government policy and taxation, consumer confidence, building approvals, the retail sector and new industry. Essentially, it was considered that the key indicator for valuers' is to keep up-to-date by talking to other agents practising in the local area.

However, one respondents' firm was developing its own regression-based model of the markets in which it operated. This trend was clearly encouraged by the API and perhaps owes its origin to the closer connection that Australian professional development and education has with the USA. Overall, the Australian attitude to leading indicators demonstrated a slightly different, perhaps more sophisticated approach. While interest rate are still a common indicator, other measures related to indices of consumer confidence and market activity, and consequently it would appear from Table 6r that valuers are using both supply and demand sides indicators.

AV11	Sales; own raw data; developing a regression based forecasting tool.
AV12	Interest rates; new projects and approvals; demographics; more important to know what's going at a local level as opposed to analysing national indicators; technological advances.
AV13	Measures of consumer confidence; sales activity; building approvals; activity in retail sector.
AV14	Interest rates; stamp duty level - rental market activity; government tax and policies; investment in infrastructure and business.
AV15	Interest rates; consumer confidence; employment levels.

Table 6r Indicators identified by Australian Valuers

With regard to incentives all of the valuers encounter premiums and discounts in the sale process. Most commonly they meet with package deals used in the new build

market, though there was also a reference to a more general phenomenon where the seller pays legal costs of the purchaser. The Australian valuers were only too aware of the dangers associated with ‘incentives’ and ‘premiums’ and understood that the valuers’ task was to identify these factors and ensure that valuations are net of them with ‘caution and skill’ being the overall attitude.

In this respect, Anon Valuer 12 reports that for a valuer the main thing is to adopt a beware attitude, in particular, with regard to new market segments where comparative information is scarce or unavailable and premiums or incentives may have been included in the transaction price put through the DNR database and thus require further enquiry.

There was also reference to an unusual market phenomenon that was labelled a ‘hyped investment market.’ Some markets operate on two tiers with two sets of prices. The first tier is the ‘normal’ market, the second tier, referred to as the hype tier, is a speculative investment tier where brokers guarantee fixed returns for investors at prices unrelated to the resale value of homes. The resultant anomaly is two sets of prices.

Anon Valuer 11 suggests that valuers react to this two-tier market by adopting the attitude that *“We are acting for lenders and as such we are interested in resale values and as a consequence they are interested in the lower tier, not in the hype tier”*.

However, it is clear from the data that some lenders were keen to lend at the higher prices and applied pressure on valuers to approve bids or even conducted the valuations themselves to ensure the business succeeded. According to Anon Valuer 13 *“There is a lot of pressure from lenders to get the deal done, as they don’t want to lose the business. If the valuer’s valuation figure is way below the market price it causes problems and pressures results from all sides”*.

Overall, in Australia the disclosure of bid price to valuers depends on the lenders but most lenders disclose bid price. Where valuers are not given the bid price the information may be sought together with a copy of the contract because bid prices sometimes include non-real property assets like fittings and garden equipment or ‘cash-back’ deals. Despite this most valuers are aware of lender pressure however, there is considerable variability in the responses provided.

Anon Valuer 15 states that *“I mean I consider the price agreed and I have a think about it but I don’t let it have undue weight”*. Regardless *“I let them know that my valuation is an independent valuation”*. Anon Valuer 14 reports that inevitably the valuer will upset the lender at some point and as such all the other valuers will do the same, thus it tends to go in a circle. However, although the attitude was *“Upset a lender one week and within a short period of time another valuer will upset the lender and the business swings back”*, unless the valuation is way out of line the contract price would generally be endorsed.

Some valuers are aware that they may be overtaken by more direct ‘pressure’ from some lenders in the form of competition. Anon Valuer 12 reports *“... a large mortgage lender in Australia, who prefer ‘drive by’ valuations”*. Basically what can be seen from the property entrance is all that lenders require, with bank managers doing the valuations themselves. Furthermore, valuers are up against computer systems with banks being able to conduct their own search for comparable sales information.

However, valuers were not only aware of the pressure they had a distasteful view of lenders that applied pressure. According to Anon Valuer 14 *“Personally, I feel quite strongly that lenders should not be allowed to apply pressure on valuers. At the end of the day...the valuer is sued because a property did not meet its value in the marketplace...”*.

With regard to how long a valuation may be considered applicable, in general, professional indemnity insurers and the courts agree that a three-month period is appropriate. However, the valuers responses varied from ‘only as good on the day that its done’ to ‘twelve months’, and again there is recognition that market conditions are important to shelf-life.

Valuers were questioned on whether the investment qualities of a residential property feature in the valuation process as the preliminary study with residential consumers in Australia specifically identified economic sustainability as a key factor. Anon Valuer 13 suggests that *“for most people the home is the major lifetime investment and they expect to pick up some capital appreciation on their investment”*. However, Anon Valuer 11

states that although people like to perceive their home as a good investment *“the factors that drive people to purchase their home do not relate directly to what we might call investment determinants”*.

However, the API require valuers to assess the future saleability of a property and according to Anon Valuer 12 this issue requires the valuer to undertake *“...an examination of what segments of the market are active and likely to stay active. And of course identifying the market segments that are dead. Feedback from agents is vital as an indicator as to what’s happening in various market segments”*. Anon Valuer 14 reports that *“again its down to taking account of trends, whether people are moving in or out of a particular area, the type of houses people want to live in, planning approvals also impact, whether it’s a progressive or retroactive area”*.

Specifically, whether economic sustainability features in the valuation process was investigated. Anon Valuer 14 confirms that sustainability is considered *“although its not the most influential factor influencing value”* with Anon Valuer 15 agreeing that *“in residential property it does moderately”*. However, Anon Valuer 12 regards it as *“difficult”* due to the fact that *“looking ahead”* is *“too unpredictable”* and *“we get sued too often”*. However, more importantly it was emphasised that *“it is something we have been trained to do but in my opinion what’s been paid in the market place reflects it”*.

Anon Valuer 13 stated that everything is reflected in the price paid and that the important aspect of a valuation is to ensure that the price under contract is justified by two or three other comparable sales.

6.3.4 Overall Findings

The questionnaire required valuers to identify the key factors in relation to value which produced overall a total of twenty-nine various factors. In comparison, at the interviews only ten different factors were produced with the responses focused mainly on five key factors. The questionnaire contained a question requiring the respondent to rank buyer behaviour alongside thirteen other relevant factors produced from the literature. As

such, this prompt may explain why the questionnaire produced three times as many factors as compared to the interviews.

Overall, it is clearly evident from the data that the valuation experts in the three countries investigated focus on a few key factors to determine a property's value. In this respect, DCC is the analysis of transactions to determine the market value of a property at a particular point in time and space. However, 'location', as understood by the valuers included in the study, goes to the heart of the 'space' issue and transaction evidence about that 'space' is broadly defined as neighbourhood or segment, and is assumed to encapsulate the mood of the market in terms of both supply and demand.

Specifically, the chief emphasis in a mortgage valuation would appear to be on the property itself and its physical attributes. Universally, these factors are dealt with explicitly in the valuation although not necessarily comprehensively. Moreover, the fact that 'demand' is critical to price is well recognised by the valuer, however, it does not receive explicit attention. In this respect, valuers have grown accustomed to using transaction evidence at a location as a surrogate for the analysis of demand. Furthermore, there is no evidence of valuers seeking a more explicit definition of 'locality' from purchasers in order to develop a better appreciation of demand factors.

In terms of obtaining comparative information, in-house databases would appear to have become very strong sources of data. The term 'heavy reliance' was used on a number of occasions and these databases are assumed to be both reliable and accurate although an amount of caution is adopted with new homes or new market segments where comparative information is generally scarce. Additionally, reliable 'multiple listing services' are strong sources of data with the smaller, independent valuers all joining multiple listing services in an attempt to combat the large lenders.

Furthermore, recently in the UK the Land Registry (HMLR) published information in relation to property transactions, which has been keenly anticipated by the valuation profession. However, the development of databases implies a reduction in the risk of anchoring in the valuation process and combined with the highly developed process of

bid price confirmation, databases may encourage a new form of anchoring in which the valuer searches for data to confirm the bid price.

From the data it is also evident that valuers express a strong reliance on local press and local networks in preference to national sources of data like national press or house price indices. In this respect, it may be expected that local networks would be displaced by databases but there is no evidence of that. According to Anon Valuer 5 multiple listing services are more appropriate to sales business rather than valuation purposes, although the information held by other agents in the local area may be used as comparable evidence. As such, verification of the transactions would not necessarily be undertaken confirming the possible decline of local networks.

With regard to buyer behaviour the information gathered in both the questionnaires and the interviews confirms that buyer behaviour is important in the overall valuation process. Although, what the term means and how it is assessed is extremely vague. Specifically, there was a striking lack of consistency in relation to costs-in-use, which points to the lack of theoretical clarity. Consumers clearly identified the issue as a priority because consumers in general consider the affordability of the house as a package. The total cost of a house includes repayment of capital, repayment on capital as well as taxes, maintenance and running costs. In considering these costs as a package consumers create a budget with rational consumers choosing between different properties and different budgetary estimates.

Of course if some differences are marginal, these can safely be omitted from the comparison process as Anon Valuer 14 stated that most of the houses in Toowoomba would have similar running costs. However, in an economy with high-energy costs and taxes, this could become a major factor in the selection process. For example, the Australian valuers identified a comparison of maintenance costs between timber and brick built houses in Queensland. Certainly, *ceteris paribus*, a higher on-going maintenance cost should produce a lower capital value in the same way that a higher accrued-maintenance cost should produce a lower capital value. Thus, a cost retention sum in the mortgage appraisal process should be explicitly included.

With regard to leading indicators unanimously valuers look to interest rate levels as 'the' key indicator. This is unsurprising because mortgage payments are often directly linked to the key interest rate. However, the relationship between interest rates and house price levels in general is not always proportionate. As such, a drop in interest rates does not necessarily mean higher house prices. Furthermore, during recessionary periods the threat of unemployment (or reduced income) often outweighs the interest rate effect. Most valuers are aware of this and some have responded by looking at consumer confidence as well as macro economic and demographic factors. However, much of the valuers' activity relies on professional networks and anecdotal evidence though the interviews did produce evidence that quantitative methods are beginning to emerge in Australia.

The research exhibited various forms of incentive designed to encourage purchasers during slow moving markets. Ultimately these incentives or premiums must be financed from the proceeds of sale. Within traditional definitions, valuers need to identify their presence and quantify the extent to which they artificially inflate sale prices with subsequent deductions being made. However, global competition between lenders is creating a situation in which many lenders would prefer to turn a blind eye to such phenomena resulting in considerable pressure on valuers.

As such, lenders appear to want to facilitate business despite the fact that an asset may not be adequate security for the loan. Furthermore, crucially the lender must retain good credit ratings coupled with a reputation for adopting a prudent approach. In this respect, lenders have an obligation to be prudent, concerned with the security of a property as an investment, (Jenkins, 2000²). However, lenders do not seem to have a strategy for dealing with this discrepancy, though a number of valuers articulated that the future of valuation is desktop valuations. In this respect, valuers seem to think that the banks will provide their own valuations (desktop or drive-by) or else valuations will be marginalised with greater emphasis being paid to the credit ratings of borrowers.

Overall, the majority of experts included in the research provided a definition for a mortgage valuation as “...*essentially a mortgage valuation is a confirmation of the bid price as agreed by the purchaser and vendor*”. However, the independence that once characterised the UK valuer could never have produced this definition of a mortgage

valuation. As such, the pressure on valuers to value to the bid price is having enormous consequences on traditional valuation methodology and it would appear that the current system is becoming more and more inappropriate for both lenders and consumers.

However, this inappropriateness may in effect encourage valuers to consider other methods of valuation that would reflect the consumers interest and be capable of resisting the commercial pressures faced by the valuation profession as a whole. The research displayed clear evidence that valuers have a distasteful view of lenders that apply pressure, and according to Anon Valuer 13, this pressure is a 'global issue'.

Furthermore, when the valuer's advice is unwelcome, a less subtle form of pressure has also been identified in the research. The valuer faces a huge threat to business in that either the valuation business will be transferred to a competitor (i.e. those who *will* supply the desired result) or ultimately the business will be taken from valuers altogether. This subtle pressure uniformly ensures that the valuer will confirm the bid price on most occasions.

Given that borrowing is long-term, both lenders and consumers should be able to rely on the valuation long-term. However, the definition of OMV neatly ensures that this is not too important an issue for valuers. The data clearly shows that the valuation experts included in the research consider economic sustainability as an aspect of mortgage valuations. However, while there is widespread appreciation of the problem associated with economic sustainability, no explicit method for accounting for this issue takes place except where it is formally required - as in Australia. However, even here, there is no formal methodology, though there is evidence of a standard approach in which the market segment is considered as a whole and with the property then considered in the context of that segment.

6.4 Discussion

For the purpose of this research the following section highlights the most important topics for discussion. Overall it would appear that professional practice in the UK, Ireland and Australia is very similar. In this respect, the main difference between these

countries is that lenders in Ireland still employ valuers' who also practice in agency. This would appear to be the main difference as the valuation methods and bases of assumption are parallel in the three countries, in particular as a result of the introduction of 'International Valuation Standards'. As a consequence, this difference is deemed irrelevant to the overall research findings, however, the research also identified that 'mortgage shops' and 'in-house' valuers are becoming a reality in Ireland and the severance between agency and valuation is set to increase.

From the research conducted it is apparent that residential valuations for loan security purposes are undertaken almost exclusively using the DCC method (as defined in Chapter One section 1.3). In essence, valuers conduct mortgage valuation using the comparative process where a transaction is directly compared with earlier or concurrent transactions in similar properties and allowances are then made for differences exposed through the comparison process (Jenkins, *ibid.*²). Although the method may appear simple in its general approach, it is dependent on considerable valuation judgement for its application (Britton, 1989³).

In essence the valuer seeks to establish the 'market value' or 'open market value'^e (as in the UK), of a property. Market value is the most common type of value associated with property valuations (IVSC, 2000:35⁴), and is defined as:

"The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties each had acted knowledgeably, prudently, and without compulsion", (IVSC, 2000:344).

However, it is clear from the research conducted that valuers have reduced the valuation task to a confirmation of bid price. Whereas traditionally valuers were required to provide an answer in respect of 'what is the OMV of this property?' more recently this has been substituted by 'should I lend based on this figure?' As a consequence, the valuer is required to analyse evidence to justify a transaction price instead of analysing

^e In accordance with the International Valuation Standards Market Value and Open Market Value are used interchangeably.

evidence to justify an opinion of OMV. This transformation in the valuation process has a direct impact on valuation practice that is resulting in the valuation losing both its meaning and integrity.

In this respect, the definition for market value presumes that both the willing buyer and willing seller are reasonably informed about the nature and characteristics of the asset (IVSC, *ibid.*⁴). This aspect of the definition was brought out in the Australian study due to the existence of a hype-investment market. As such, valuers are aware of the problems encountered by consumers who purchase over-priced property. The importance of advising consumers was highlighted, in particular, due to the infrequency with which consumers undertake property transactions. Accordingly, Anon Valuer 13 suggests that valuers need to go down the road of professional advice providing market information to purchasers before the completion of contracts.

Furthermore, with regard to the UK system, currently new homes have premiums attached to the sale price, which due to lender pressure, are not being explicitly considered in the valuation. As a consequence, it would seem that both parties to the transaction are not fully aware of the 'nature and characteristics of the asset' which would suggest that an alternative basis of valuation should be employed.

The definition for market value also provides that the parties to a transaction are reasonably informed about the state of the market as at the date of valuation (IVSC, *ibid.*⁴). The 'market' in this instance invariably refers to the principles of supply and demand, and, critically for the purpose of this research, there is an unhelpful emphasis in the UK on supply-side data (see Chapter One). As such, in the current context demand may be defined as the number of possible buyers seeking specific types of property interests at various prices in a given market within a given period of time, assuming other factors such as population, future prices, and consumer preferences remain constant (IVSC, 2000:315).

However, it is evident from the data that valuers are not switched on to consumer preferences, with valuers' in general not considering these preferences as an important part of the valuation process. A pertinent issue arising from the consumer study concerned costs-in-use with the data clearly showing that valuers do not consider these

factors in the overall valuation. There is however, no formal methodology forthcoming for accounting for consumer preferences within the valuation process.

It would appear that one Australian valuer came the closest to identifying a formal approach with the observation that *“if a property falls outside the general market place then it will be highlighted and the possible pitfalls identified”*, (Anon Valuer 12). As such, the definition of market value presumes that the valuer identifies specific types of property interests. Consequently, a formal approach might start with profiling buyers in a particular market segment that would allow the identification of a normative property for that segment. Then each property could be rated on a tick-list (or something similar) to see the extent to which it met with the requirements of the most likely purchasers. Finally, perhaps this could then be transformed into a sum of money that would be required to render the property fit for that particular segment.

As such, with a range of market segments the most common (valuable) location and/or property attributes could be identified which would inform both valuers and developers as to the appropriate or normal demand-related preferences, as well as preferences for specialist purchasers. This approach to account for consumer preferences within the valuation process ties in with the definition of market value. In this respect, the definition requires that the valuer consider the state of the market at the data of valuation presuming that:

“Supply and demand data, characteristic of the most probable market for the property are analysed to develop an inventory of properties that compete with the subject property for market share as well as an inventory of existing properties to be adapted or new properties to be built, which will increase the competitive supply. Markets are analysed to determine market trends, relationship between supply and demand, absorption rates, and other market specific information”, (IVSC, 2000:174)

However, in practice, valuers use the concepts of fair, average and good in a mortgage valuation. These concepts are supposed to be coupled with adequate field training and fine-tuning to the market that the valuer serves, resulting in the

valuers' judgements that are supposed to be relative to the market segment in which they are working (Crockham, 1995⁵).

Nonetheless, it is clearly evident from the research that the chief emphasis in a mortgage valuation is on the property itself and its physical attributes. In this respect the definition for DCC is unhelpful as it focuses mainly on the physical context of the property. Specifically, the definition requires that the comparable properties are analysed and adjusted for differences in location, physical condition, size age, condition, tenure, time of sale, special suitability and any other relevant factors. The fact that 'any other relevant factors' is left in such a vague manner weakens the comparative process in general.

In particular, 'demand' is critical to price which is well recognised by valuers yet it does not receive explicit attention. In this regard, valuers have grown accustomed to using transaction evidence at a location as a surrogate for the analysis of demand. However, should the valuation have a social function that reflects the consumers' interests, then the valuation should incorporate both inflationary and speculative tendencies (Jenkins, *ibid.*²).

As such, if price or OMV is determined by supply and demand then it follows that value is determined with simultaneous equations of both sides of the market. In particular, the valuation should account for demand-related attributes that are price sensitive that are currently not explicit in the overall residential valuation process. This was emphasised in the research with a number of practising valuers suggesting that residential appraisal would benefit from a more explicit and objective approach.

Another pertinent aspect of the definition of market value concerns 'the parties each had acted...prudently...'. This concept of prudence was also brought out in the research. Essentially, valuers rely on the prudent consumer to assess the economic sustainability of a property. However, it is further evident that the consumers and lenders rely on the valuer to assess both the consumer in terms of prudence and the sustainability of the property. In this regard according to Anon Valuer 12, to assess a purchaser in terms of prudence, the valuer is required to establish whether the purchaser has "...*had a good look around at what's available in the market place and considered why they have*

chosen the particular property and in particular why they have agreed to pay the purchase price”.

However, in terms of the International Valuation Standards prudent is assessed by referring to the state of the market at the date of valuation - the prudent buyer or seller will act in accordance with the best market information available at the time (IVSC, 2000:95). Consequently, it would appear that the valuer is responsible for providing the ‘best market information’ to the purchaser, which should include advise in relation to the sustainability of the purchase price. In particular the research identified properties in Wales that reduced in value to 17.5% of the original price paid over a three-year period (Wales on Sunday, 1999⁶). This translates to a property originally worth £20,000 selling for as little as £3,500, which is a startling drop in value and suggests that economic sustainability does not feature in the overall valuation process.

In this respect, the concept of sustainable value operates in Germany and it provides an interesting contrast with the UK/IRL/AUS valuation for loan security purposes. Property’s investment worth and the question of possible overpricing has been outside the UK valuer’s remit when valuing for loan security but it is required by statute in Germany (Adair, et al. 1996⁷). In fact the definition of ‘worth’ and ‘prudent’ are very close in that worth maybe defined as a personal view of the ability of the property to provide all or most of the key factors considered vital or important to the aspirations of the purchaser in the light of the financial/economic status and future prospects and alternatives available at the time. It reflects personal/family needs, social aspirations, financial/economic resources and the indefinable emotional and basic need for accommodation and security within the geographical locality.

As such, the concept of ‘Prudently Assessed Market Value’, set out in section 12 HBG (The Mortgage Bank Law Germany) has been characterised as the ‘Sustainable Market Value’ set out by the European Mortgage Federation 1989. The definition excludes any value attributable to the individual occupier of the property, or for which purchasers other than the occupier would not be prepared to pay. In addition, the valuer must ask how the current level of exchange value relates to worth. Again, this involves considering the balance of supply and demand and whether the market is at a period of volatility, where values are likely to be inflated or deflated by temporary excess demand

or excess supply. Where values are considered to be at a peak due to an excess of demand, the value will be reduced to the level considered to be sustainable in the long term (Adair, et al. 1996:¹³⁷).

It is clearly evident that the concept of both prudently assessed market value and the sustainable market value are largely dependent on the simultaneous assessment of supply and demand characteristics which is the basic flaw in both UK and Irish valuation practice. As such the Australian valuers displayed a slightly more sophisticated approach in considering the prudently assessed market value of a property. This may be due in part to the client focus in the professional guidance, and a core text on residential investment devoting a whole chapter to demand characteristics (Waxman and Lenard, 1994⁸).

However, this leads to another issue that arose in the study concerning the level to which economic information should be monitored. Only one valuer regarded government policy as a key factor in the valuation process yet both Ireland and Australia have witnessed in the last twelve months an abrupt halt in the market due to government policy. Moreover, one of the valuation experts drew attention to the fact that Britain, Ireland and Australia experienced the same recessionary periods in the eighties yet valuers do not think information should be monitored at a global or even international level.

This may be due to the fact that valuers are being swept up in multiple listing services, and are relying heavily on them along with local networks and local information sources. The fact that we are operating in a global market with global lenders seems to have been overlooked. In fact it is evident that the lenders operating today are extremely global and this may explain why valuers have adopted the unwritten rule that if a bid price is within 5% of the valuation the price is confirmed with no explicit deductions being made for incentives and premiums. Although the research identified a large amount of pressure on valuers, there was no evidence to suggest that valuers would alter the valuation in light of significant client pressure. However, the pressure exhibited in the research does force valuers to overlook the issue of economic sustainability with adverse impacts for the consumer of residential property.

6.5 Summary

This chapter has explained and evaluated the results of the research in terms of the main aims and objectives of the study. The research identified the attributes impacting on value from the consumers' perspective. The pertinent issues arising from the study concerned costs-in-use and economic sustainability and overall the study has provided a clearer understanding of the factors related to demand.

The implications of the consumer study on the valuation study were determined and it is clearly evident that valuers do not consider buyer preferences in the overall valuation. Effectively, valuers have reduced the valuation task to a confirmation of bid price, which is due in the main to lender pressure. Furthermore, the leading indicators used by practising valuers were identified and it is apparent that valuers place a large amount of importance on interest rates and local networks.

The research concludes that valuers do not account for buyer behaviour in the valuation process in terms of economic sustainability and costs-in-use and that:

- Residential homeowners are ultimately concerned with the sustainability of the property asset;
- Valuers are aware of consumers concerns regarding economic sustainability but do not act on this awareness; and,
- Essentially, the valuer acting on lender pressure confirms the bid price, not giving regard to the leading indicators that can warn of changes in the marketplace.

The main conclusions drawn from the research and the implications for valuation practice are discussed further in the concluding Chapter.

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⁵ Crockham, J., (1995), Sales Comparison Approach: Revisited, *The Appraisal Journal*, April, US.

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⁷ Adair, A., Downie, M. L., M^cGreal, S. and Vos, G., (1996), (eds.), *European Valuation Practice: Theory and Techniques*, pp. 137-138, E&FN Spon, London, UK.

⁸ Waxman, P. and Lenard, D., (1994), *Investing in Residential Property: Understanding the Market in the 1990s*, 3rd edn. Wrightbooks: Australia.

7. CONCLUSIONS

7.1 Summary of Discussion

At the outset of the research a number of aims and objectives were developed. Thus, the main aim of the research is to determine whether the valuation methods adopted by valuers account for buyer behaviour accurately. To achieve this aim, the following objectives emerged as the core of the study:

- to undertake cross-national comparisons in the United Kingdom, Ireland and Australia with regard to providing a clearer understanding of the factors related to demand;
- to identify the attributes which impact on value from the consumers' perspective;
- to identify the leading indicators capable of warning of changes in market conditions;
- to assess critically the effects of lender pressure on the valuation methods used by valuers; and,
- to determine whether valuation methodology coupled with lender pressure forces valuers to overlook the issue of sustainability.

Following the house price collapse of the late 1980s within the UK there was considerable criticism of the valuation methods used by residential valuers. Essentially, valuers had failed to adequately assess the risk attached to residential property, which had enormous consequences for the consumer. Critically, for the purpose of this research the valuation methods employed by valuers had not taken account of buyer behaviour in the valuation process, which led to inaccurate valuations.

The research investigated the demand-side of the market, focusing on the consumer of residential property and on the actual valuation methods used by valuers to determine whether they account for buyer behaviour accurately. Overall, the research concludes that valuers in the three countries believe that buyer behaviour is an important part of

the valuation process but it is clearly evident from the research that valuers simply do not consider buyer preferences. Specifically the behavioural inputs identified in the consumer study concerned cost-in-use and economic sustainability and it is apparent from the research conducted that these inputs do not receive explicit attention in a mortgage valuation although clearly they should.

With regard to identifying the leading indicators, it is also noticeable from the research that while valuers were conscious of the importance of global impacts on their local markets, (two valuers referred anecdotally to global political concerns), there has been little consideration given to the development of mechanisms to reflect global uncertainties in valuation processes. Perhaps this lack of progress stems from the definition of value, Open Market Value (OMV), as this measure of value is not perceived as requiring a forward look. Consequently, the valuers only described interest rates as leading indicators, which are in fact a blunt instrument in measuring economic activity (for example falling interest rates do not always indicate rising asset prices). By contrast, the valuers exhibited greater ingenuity in the development of economic indicators that reflect on local markets. The number of house starts, the length of time properties were marketed prior to sale, and the average number of properties visited by consumers, were cited as evidence of market trends.

Regardless, effectively, valuers have reduced the valuation task to a confirmation of bid price. This is due in the main to lender pressure, which occurs at a global level, and forces valuers to overlook the sustainability of the asset, with severe consequences for housing markets and national economies as evidence by negative outcomes of the house price collapse of the late 1980s. However, if valuers are to retain an integral role in the residential valuation process, a consumer-orientated approach to valuation should be adopted. Although, valuers believe implicitly that economic sustainability features in a mortgage valuation there is considerable uncertainty surrounding the issue including a definition of “sustainability”. In this respect a high proportion of the valuation experts included in the research believe that the consumer rather than the valuer should consider sustainability.

Consequently, it is apparent that neither the lender nor consumer receives a valuation that has explicitly considered this issue. Moreover, it is evident from the discussion in

Chapter Six that both the definition of “prudently assessed market value” and the “sustainable market value” are inextricably linked. As such, it would appear that due to the prudent purchaser requiring the best market information available it is in fact the responsibility of the valuer to consider the sustainability of the asset for loan security purposes.

Thus, to avoid being marginalised or excluded from the market for valuation advice, valuers need to acknowledge the social function of a mortgage valuation. By adopting a valuation approach that reflects consumer preferences in the light of this social function will assist the valuer in combating the pressure exerted by lenders because lenders are forcing valuers to overlook vital issues that affect the sale price such as premiums and incentives in order to benefit their commercial loan profits.

7.2 Further Research

Whilst the research has addressed the particular issue of consumer behaviour in the valuation of residential property, a number of other issues have emerged, which require further investigation, and are outlined briefly below.

1. The research could be extended further to develop formal and explicit methods for dealing with buyer behaviour in the valuation of residential property. This should include a formal approach to profiling buyers in particular market segments so that a normative property for that segment could be identified.
2. The current definition of the comparative process is extremely vague and when it is employed with the market value basis of valuation it remains unclear as to what factors the valuer should consider in the overall valuation process. A fuller definition should be developed that incorporates the factors relating to supply and demand.
3. If valuers are to retain a meaningful role in the valuation process for loan security purposes, valuers must do more than confirm the bid price, especially if they are to avoid exclusion from the market for valuation advice. Consideration should be given

to the concept of and significance of sustainable value, as its incorporation into the valuation process would result in the valuation having a social function as well as providing a sufficient valuation required by the lenders. To ensure a future for mortgage valuation work further research should develop a method for assessing the sustainable value of a property. As such further research could consider a cross-national comparative study with Germany where the sustainable market value approach is used.

4. To develop ways, in which the education and training of valuers can be enhanced, by developing an explicit approach to educating valuers with regard to the behavioural issues associated with the valuation process including consumer behaviour and heuristic use. Due to the changing nature of the valuation industry, continued professional development should be exploited widely to increase the standards of the valuation profession.

5. Extend to other markets and sustainable value to other areas of valuation such as asset valuations.

6. Detailed research into the key features which different kinds of buyers find “valuable” in residential markets should be undertaken and should be pursued on a qualitative basis. This extends the current research but it also extends previous studies by Adair et al., (1996¹) who through statistical means established that buyers and valuers think differently in relation to the key attributes.

7. An important finding of the research is that if valuers were to assess economic sustainability accurately, it would in effect avoid the unsatisfactory situation where builders in times of increased demand inflate the cost of houses. Further research should investigate whether the adoption of a sustainable value in a mortgage valuation would in effect prevent builders from adding percentages to the cost of new homes and avoid the current profiteering situation.

7.3 Limitations

Initially, the research was carried out on a part-time basis for a two-year period and it is recognised that more momentum for the study would have occurred at this crucial stage of developing the research, had resources for full-time study been available.

Regardless, the study provides an extensive review of current aspects of valuation practice and reports on the experiences of two other countries. However, the depth that would be achieved in research that considers the practices of one particular nation is diluted by the very nature of comparative research. On the other hand, there is reinforcement of process and methodology in a cross-national comparison which provides evidence of both similarities and differences on which conclusions can be drawn.

Thus, the study provides a detailed approach to cross-national comparative research that utilised a qualitative methodology in the behavioural paradigm of real estate research. However, a number of factors limited the choice of countries for comparison namely, countries with similar (comparable) valuation structures that were accessible to the researcher in terms of language, data, funding, collaborative support and resources had to be utilised. Consequently the UK, Ireland and Australia met these criteria, however while it is acknowledged that other countries could have been investigated the choice of countries provides a reliable and valid basis for comparison.

The empirical data collected in respect of this thesis was very comprehensive, and the widest possible angle was undertaken. Consequently, the interviews with residential homeowners and practising valuers in the three countries studied have provided information from which significant and original conclusions have been made.

However, with regard to the consumer study it is understood that the study could have been expanded to include the views of more residential homebuyers, although the research was invariably conducted within the inherent constraints of time and financial resources. In particular, the resources required to undertake a cross-national study were extensive, especially, in relation to the four-month stay in Australia whilst

attending the University of Queensland. Therefore, it would be erroneous to state that a truly representative sample of all residential consumers has been provided.

Also, with regard to the valuation study, it is acknowledged that the sample of experts who participated in the research represents a tiny fraction of practising professional valuers, and the responses given relate to the sampling frame. However, it is argued by the methodological approach adopted that a representative sample of the wider valuation profession is not required and as such the empirical work carried out is considered sufficient for the purpose of this study.

Finally, due to the comparative aspect of the research and the related methodological issues, the study began in the spatial unit unfamiliar to the researcher. As a consequence, a second visit to Australia would have been preferred for the interviews with the valuation experts, although the videoconferencing was a successful substitute. Overall, despite these limitations both the research methodology and the results and conclusions of this study are valid and reliable.

7.4 Conclusions

There are a number of recommendations arising from the research. The residential valuation process should be reviewed so that a more explicit form of the comparative method can be developed that would take into account both sides of the market. In this respect, unless valuers explicitly consider the buyer in the overall valuation, they will be marginalised or excluded from the overall process, which has in fact occurred in France (although not necessarily for that reason). Consequently, the impact on the education and training of valuers is enormous because valuers need to be educated further on how to consider consumer preferences through the profiling of buyers and segmenting the market.

The research makes an original contribution to knowledge, as it is the first study to specifically investigate buyer behaviour and valuation methodology in relation to residential property valuation. Furthermore, the research extended previous studies, which established that buyers and valuers think differently in relation to the

importance factors within the valuation process resulting in the possibility of inaccurate valuations (Adair et al. 1996). As such, the current research focused on the buyers' perception of the key attributes and provided a clearer understanding of what buyers actually perceive as important, thereby providing a clearer picture of how the demand side of the market operates.

Additionally, the research is novel as it was conducted on a cross-national comparative basis that adopted a qualitative perspective. The behavioural paradigm of real estate research requires the exploitation of research methods that are suited to studying the behaviour of market participants and valuation experts. As such, a comprehensive approach to studying both the valuers' and consumers' decision-making process has been provided.

Overall, in light of the enormous pressure on valuers by lenders which occurs on a global scale, there are serious implications for the valuation methods used by mortgage valuers. Lenders issue the valuation forms, which are then completed by the valuer. The valuer is paid regardless of the quality of the valuation and it is up to lenders to reject the "valuation", which is basically a confirmation of bid price. As such, professional organisations such as the RICS and IPAV, should consider including a client focus in the professional guidance notes as is the case in Australia. Furthermore, there are educational implications arising from the research in that residential mortgage valuers require training on how to identify and reflect consumer preferences in the overall valuation process.

Overall the research is original in that it demonstrates for the first time that valuers categorically do not interpret the market in terms of buyer behaviour. The research is the first study addressing consumer preferences on a transnational scale and the comparative aspect of the research adds to the growing body of literature in the field of social sciences.

Evidence suggests that valuers do not consider the leading indicators capable of warning of unsustainability in markets nor do they know of their existence. As a consequence the sustainability of residential property is not considered in a mortgage

valuation which has series implications on national economies considering the relationship between housing markets and economies in general.

The incorporation of demand-side variables in the valuation process should improve the accuracy levels of individual valuations. The explicit examination of costs-in-use will provide a more reliable and precise valuation as it is reflecting the behavioural inputs of market participants.

This research has provided a major and original contribution to the existing knowledge in the field of real estate appraisal.

References

¹ Adair, A., Berry, J. and M^cGreal, S., (1996), Valuation of Residential Property: Analysis of Participant Behaviour, *Journal of Property Valuation and Investment*, Vol.14, No.1, pp. 20-35, MCB University Press: England, UK.

APPENDICES

Appendix I Database Search in Australia

Appendix I DNR Search

Details of search undertaken on the Department of Natural Resources' (DNR) Database in Australia

Search Date 05/01/1999 Time: 9am

The DNR database contains information relating to residential property transactions in Australia. The search was undertaken on the 5th January 1999 at Stanton Hillier Parker, a valuation firm in Toowoomba. Brad Neill, local valuer and ex-student of the University of Queensland assisted in the search.

Information held by the DNR includes:

Purchase property address
Property type
Dwelling type
Real Property Description number (RPD)
Registered Plan number (RP)
Date of Sale
Price Paid
Area of property (m²)
Purchasers address
Vendors address

Search parameters included:

- Introductory time scale 01/01/98 to 01/01/99.
- Price range \$105,000 to \$200,000.
- Initial search using the above criteria produced 765 transactions.
- New homes are identified through their RP number. All new houses in 1998 have an RP number of 8 or 9.
- Employing Brad Neill's local knowledge and expertise the results were individually screened, with all established housing estates being deleted from the list.
- Following the elimination of existing properties, the search produced 150 sale transactions with an RP8 or RP9.
- A time scale of six months was then applied to the results (allowing for post-decisional distance). A period from 01/06/98 to 01/01/99 produced 61 sale transactions.
- Owner-occupied properties are required for this study. Only those transactions with the purchaser residing at the purchase property address were used in the study.
- 32 sale transactions resulted. The telephone numbers for 29 of the 32 were obtained through Directory Enquiries. The remaining three appears to be ex-directory.
- Each respondent was contacted by telephone initially and an interview requested. Those respondents unwilling to be interviewed were interviewed by telephone.
- Notes were made during the interviews and these were written up in full immediately after each interview.

Overall Response Rate:

Of the twenty-nine telephone numbers produced, contact was made with eighteen potential respondents. Ten in total agreed to be interviewed, comprising seven personal interviews and three telephone interviews. Six potential respondents refused to both telephone and personal interviews. Contact was not established with eleven respondents. Two of the transactions produced by the DNR search were currently under construction. These properties have an RPD number but do not have an RP number as completion of the property is necessary before the DNR issue this.

Summary:

3 telephone interviews
7 personal interviews
6 refusals
11 no reply (tried day/night and weekend)
2 sites (RPD only)

Appendix II Range of Property Values for U.K. and Irish Consumer Study

Appendix II

Details of figures used to obtain a range of values for use in the United Kingdom and Ireland. The sources of information included the Real Estate Institute of Australia and the Australian Bureau of Statistics.

ABS House Price Index (HPI) Dec 1998		Median House Price 1989-90 (\$'000)		Median House Price Dec 1998
Sydney	142.5	Sydney	\$184,200	$\$184,200 * 142.5 / 100 = \$262,485$
Melbourne	146.2	Melbourne	\$140,200	$\$140,200 * 146.2 / 100 = \$204,972.40$
Brisbane	135.0 = 100.00	Brisbane	\$103,300	$\$103,300 * 135 / 100 = \$139,455$
Adelaide	124.0	Adelaide	\$100,800	$\$100,800 * 124 / 100 = \$124,992$
Perth	145.0	Perth	\$ 98,300	$\$ 98,300 * 145 / 100 = \$142,535$
Hobart	123.8	Hobart	\$ 84,800	$\$ 84,800 * 123.8 / 100 = \$104,982.40$
Canberra	132.5	Canberra	\$117,000	$\$117,000 * 132.5 / 100 = \$155,025$
Darwin	165.0			
Base Price 1989-90 = 100.00				
Source: ABS		Source: REIA		
Value of individual dwellings included in Australian sample				$\$165,750 / \$139,455 = 1.188$ (ratio)
\$106,000	\$111,000	The median value of house prices used in this study is 18% above the median value of prices in Brisbane for the last quarter of 1998.		
\$136,500	\$155,000			
\$163,500	\$168,000			
\$169,000	\$170,000			
\$185,000	\$200,000			
		Median Value: \$165,750		

Details of figures used to obtain a range of values for the sample selection process.

Average Price of Detached Property in Cardiff March 2000	Average Price of New Houses for Cork March 2000
Wales $\pounds 134,301 * 1.188 = \pounds 159,550$	Cork $\pounds 128,499 * 1.188 = \pounds 152,657$
Range of Values for Cardiff (UK)	Range of Values for Cork (IRL)
$\pounds 134,301 * 106,000 / 165,750 = \pounds 85,888$	$\pounds 128,499 * 106,000 / 165,750 = \pounds 82,177$
$\pounds 134,301 * 200,000 / 165,750 = \pounds 162,052$	$\pounds 128,499 * 200,000 / 165,750 = \pounds 155,051$
House Price Range Adopted For Irish Sample:	House Price Range Adopted for UK Sample:
$\pounds 85,500$ to $\pounds 162,000$	$\pounds 82,000$ to $\pounds 155,000$
Source: HM Land Registry	Source: DoE Ireland

Appendix III Study Pack for Valuation Experts



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DIVISION OF BUILT ENVIRONMENT

- Civil Engineering**
- Architectural Technology & Conservation**
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*Rated a Division One University
Daily Telegraph August 1999*

The Built Environment

http://www.itc.glam.ac.uk/schools/sbe/sbe_home.htm

The Built Environment

About the Division

We are the largest provider of property and construction-related courses in Wales. We produce about 65% of the built environment graduates in the Principality. Because of our size, we are able to offer you a wide variety of courses which are taught by specialist lecturers. The courses are designed to make you employable. Employers demand graduates who can do the work as well as talk about it. The take-up rate of our graduates is exceptionally high. We and the employers think we've got the mix of theory and practice right. Students can generally choose to work for twelve months as part of the course, - many do and thoroughly enjoy the experience. Employers frequently offer permanent jobs to these students when they graduate. Computing is important in all areas of life these days and the Division has some of the best facilities of any university. We provide good support for you if you need help with the technology. Up-to-date teaching is supported by good research. The Division is at the forefront of research activity in our field. Many of the staff are active researchers and some enjoy an international reputation for excellence. We particularly welcome international students who add greatly to the cultural diversity of the Division. When required, we provide support for our international students to improve their English language skills.

The Division is accommodated in one of the most prestigious buildings of the University campus. It has recently undergone major refurbishment which includes the provision of state-of-the-art information technology facilities. The modern laboratory facilities are housed in a large three-storey complex linked to the main teaching and administrative block.

The Division is furnished and equipped to provide an attractive, friendly and well-resourced environment to promote maximum involvement by our students. We encourage you to take an active part in the life of the Division and benefit from becoming, where possible, a student member of the relevant chartered professional institution.



Research work is an important feature



One of our well-equipped computer laboratory suites

The courses we offer have been designed with a vision to the future and to draw fully on the staff expertise and resources which exist across the Division. Our courses are constantly evolving under continuing review to ensure we meet the changing demands likely to be placed on our graduates. Our aim is to ensure that you will be equipped to meet and overcome the challenge of future change and to take advantage of technological and managerial advances across the built environment

We are committed to our Welsh location but we're outward-looking and thinking as well. We're in the EU and our future is strongly linked to Europe. Our courses reflect this internationalism. There are opportunities for you to spend some time studying in Europe and you could learn a European language while you're with us.

Undergraduate Degrees

Civil Engineering Scheme

BEng (Hons) Civil Engineering
BSc (Hons) Civil Engineering
HND/HNC Civil Engineering

Surveying Scheme

BSc (Hons) Property Management & Valuation
BSc (Hons) Quantity Surveying
BSc (Hons) Planning & Development Surveying
BSc (Hons) Building Surveying
BSc (Hons) Building Control Surveying
BSc (Hons) Building Pathology *

Environment/Geography Scheme

BSc (Hons) Environmental Sustainability BA (Hons) Geography (Major/Minor/Joint)
BSc (Hons) Geography

Construction Management Scheme

BSc (Hons) Construction Management
BSc (Hons) Construction Health and Safety
BSc (Hons) Fire Studies *
HND Building Studies

Architectural Scheme

BSc (Hons) Architectural & Building Conservation (plus Major/Minor/Joint)
BSc (Hons) Architectural Technology
BSc (Hons) Security Design *
BSc (Hons) Architectural Engineering *
HND Architectural & Building Conservation

Postgraduate Degrees

MSc Facilities Management
MSc Construction Management
MSc Project Management
MSc Property Asset Management
MSc Real Estate Appraisal
MSc Civil Engineering *
MSc Sustainable Environmental Development *

* to be validated



The University Sport and Recreational Centre



Physical Recreation & Sport

Indoor

On campus, the University of Glamorgan boasts an excellent three-storey Recreational Centre, purpose-built to accommodate all aspects of sporting demands. Sports facilities include six badminton courts; a hall catering for keep-fit, aerobic and dance classes; table tennis and martial arts; a combined sauna/solarium/steam suite is next to one of the two large weight rooms and four squash courts. A fitness testing area, first aid, social office and reception services are also available

Outdoor

Excellent performances at all levels have been recorded in rugby, football, hockey, cycling, golf, gliding, archery, canoeing, surfing, running and orienteering. A comprehensive club structure exists for outdoor sports



Mr. ***, FRICS,

21st August, 2000

Dear Mr. ***,

Re: Consumer Behaviour and Valuation Research

In response to our recent telephone conversation I forward details of the research project. Enclosed you should find a leaflet providing you with a little background information regarding the University of Glamorgan and its current research activities in the field of real estate.

I have also enclosed a questionnaire relating to my research. Academic research in this area is constantly trying to improve valuation methodology and thus the service provided to clients. This research project is aimed at improving the valuation methods adopted by professionals involved in mortgage valuations. Your participation in projects like this assists academic research, which can at times be removed from practice and the property industry as a whole.

I would appreciate it if you could complete the questionnaire and return it to me prior to the interview. As discussed the interview will be centred on the contents of the questionnaire. With the return of the questionnaire could you also suggest a suitable time for the interview. I am conducting interviews in Ireland from the 1st September so if at all possible an interview before then would be preferred.

May I take this opportunity to thank you for agreeing to participate in the research. Your participation is crucial to the successful completion of my Ph.D., which requires interviewing and analysis. I am extremely grateful for your time and assistance.

On receipt of the returned questionnaire and an interview time I shall ring your office to confirm our appointment. I look forward to meeting you and many thanks.

Yours sincerely,

Jacqui E. Daly, B.Sc.

Valuation Expert Questionnaire

1. How long have you been undertaking residential mortgage valuations? _____ yrs

2. How much of your professional knowledge is attributable to?

On-the-job Experience	_____ %
Formal Education	_____ %
Continual Professional Development	_____ %

3. Are you affiliated to any professional organisation? (please give details)

4. Do you undertake valuations for any of the main mortgage lenders? Yes ☐ No ☐

5. What do you think is important in relation to value, that is the key attributes or factors?

6. Please rank the importance of the following factors in the valuation process ranging from the most important (1) to the least important (14).

Property Specific Factors	
Energy Efficiency	
Location	
Neighbourhood	
Buyer Behaviour	
Technological Factors	
Environmental Impacts	
Demographics	
Legal Issues	
Planning & Development	
Economically Active Area	
Government Policy	
Employment Opportunities	
Financial Variables	

7. In relation to residential property markets, besides the property itself, what market data do you monitor?

8. How important are the following sources of information with regard to your own valuations?

	Very Important	Important	Level of Importance Relevant	Irrelevant
Own transaction records	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other practitioner's transaction records	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
House price indices	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Local press	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
National press	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Market level activity:				
In house	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
External sources	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Economic data	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Demographics	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Inward investment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Planning proposals	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Geological data	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Nuisances	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Professional Journals/Magazines	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Others	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

9. Do you subscribe to any local or national databases? Yes ☐ No ☐
(Please give details)

10. What kind of economic information do you consider?

11. At what level do you consider this information?

Global	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
International	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
National	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
Local	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>

12. How important are the following in the valuation process?

	Very Important	Important	Level of Importance Relevant	Irrelevant
Database of property values	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Awareness of:				
Market activity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Current planning proposals	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Development proposals	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Local geological influence	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Local schooling	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bad neighbours & contamination	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Employment opportunities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Closures in industry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial incentives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Knowledge of:				
Neighbourhoods and facilities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Price variation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
House price movements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Network of contacts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Others _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

13. If you have any further comments in relation to the questions contained in this questionnaire, please feel free to add them below.

A dual-site campus in a pleasant semi-rural environment with a range of students studying engineering, science, technology, humanities, nursing, computing, law, geography, environmental issues and business and management. Our students, who come from all corners of the globe, help to emphasise the University's reputation as the 'Friendly Uni' - a national university institution with a distinctly international outlook. At the last count we had 10,200 full-time and 5,600 part-time students. We would be happy for you to join them.

Students Union

The Students Union provides a focal point for all university students; it provides a wide (and constantly expanding) range of social and welfare facilities for you. The Union sponsors many clubs for sporting, artistic, political and academic interests. A wide range of services are also run in the two Union buildings. These include a pub-type bar, "The George Knox", a fast-food cafe and bar, "Smiths Cafe-Bar" a self-service shop, travel centre, two launderettes and an insurance bureau. For evening entertainment the Union boasts a nightclub "Shafts" - open seven days a week. Additionally, there are telephones, photocopiers, pool tables and cash machine facilities.

Media Resources

This Unit provides all departments with a professional production and advisory service covering all media areas:- video, audio, photography and graphics. We have a colour TV studio with video post-production equipment and editing equipment, and a modern photographic and graphics capability. The staff in Media Resources are eager to make their expertise available to all students in all areas of study.

The Learning Resources Centre

The Learning Resources Centre provides a complete service for learning and teaching material, ranging from their design and production to their acquisition, storage and use. Within the Centre students have access to the library where you will find not only books but a variety of study materials such as journals, slides, maps, newspapers, microfilm - plus of course all the equipment you need to use them.

Residential Services

One of the first questions you will ask if you receive an offer of a place at the university is: "Where will I be living?" We have halls of residence on campus and self-catering hostels off-campus, and we provide a liaison service between you and the owners of inexpensive local properties. We attempt to match your living preferences to the accommodation available and send you the details. It is, however, advisable to visit any accommodation before you make a decision - should you need assistance we are available with helpful advice.

Bookshop

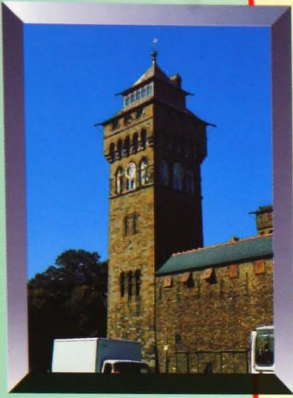
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OR IN PEOPLE

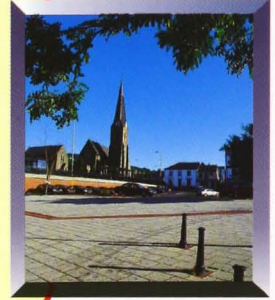


Cardiff Castle Clock Tower

At the University of Glamorgan you are within easy reach of many areas of interest. A particular area of outstanding natural beauty to the west is the Gower Peninsula near Swansea, Wales' second city. The Gower is ideal for walking and watersports such as surfing, as it has some ideal surfing beaches. The Brecon Beacons National Park, to the north, is a mere half hour's drive and offers some hill-walking and cycling. You can enjoy a quiet walk or even take a trip on the Brecon-Abergavenny Canal. Further afield, Wales has some of the most beautiful mountain scenery just a few hours drive away, and boasts some of the most challenging mountain areas in the United Kingdom. As a member of the University Outdoor Pursuits Club you can participate in a variety of outdoor activities. Cycling, walking, canoeing, climbing, sailing and even ski-ing are some of the pursuits students get. South Wales and the surrounding area contains numerous castles and there are some fine examples to be found. Nearby is Caerphilly Castle from the Norman period with most of its structure intact. In fact, it is the second largest castle in Britain. A later example is Cardiff Castle, which although originally Norman, was largely destroyed. It was reconstructed by the Earl of Bute, and now has a magnificent Keep and houses the Regimental Museum of the Welch Regiment. Castell Coch, situated a few miles from Cardiff overlooks the Taff valley at Tongwynlais and was also built by the Earl of Bute as a folly but rich in ornamentation and is a favourite with tourists.

Treforest and Pontypridd

Surrounding the campus is the village of Treforest, catering well for the needs of students, with plenty of pleasant but inexpensive rented accommodation, a choice of pubs, takeaways, laundrettes, an 'open-all-hours' general store, post office and corner shops. The population of students is such that in term-time it could be mistaken for a student village. The University and the village are served by their own railway station offering a short ride to the capital city. Half an hours walk away is the typically friendly, lively South Wales valley market town of Pontypridd, bustling with shops and pubs and famous for its eighteen century bridge over the river Taff -at one time the longest single span stone bridge in the world. Another feature is its covered market, where the faggots and mushy peas must be sampled.



Pontypridd Town

Cardiff, the capital city

Cardiff, the capital city of Wales, is one of Europe's fastest developing cities. Once a major coal port it has now undergone a major transformation. Cardiff's Bay is currently being developed as one of the largest waterside developments in Europe with restaurants, theatres and cinema complexes. Many businesses are relocating in the bay, as is the Welsh Assembly. The area is easily reached by road or rail from the University. For sports fans, Cardiff now has the Millennium Stadium to host the nation's favourite game of international rugby. The Ice Hockey arena is a major success since its inception at Cardiff some years ago. The city has one of the most elegant of civic centres and also has a modern shopping centre along with good bookshops as a supplement to the University's own on-site facility. Cardiff is a 20-minute ride away, and can easily be reached by road or rail. For entertainment you can watch some of Britain's famous rock bands along with other internationally-renowned artistes at the Cardiff International Arena; for concerts and opera the St. David's Centre is a popular venue. As a change, you may prefer a visit to Cardiff's National Museum of Wales, or the Castle and its grounds, or even slightly further afield to St. Fagan's Museum of Welsh Life where there is a fine collection of industrial and other buildings which reflect Welsh life in bygone days.



The old Pier Head Building at Cardiff Bay



An aerial view of the campus



University Location



Appendix IV Consumer Interview Summaries: Australia



Section A Interview details

Interview Type:	Telephone	
Interview Number:	R01	
Interviewees' Name:	N/A	
Property Address:	36 Gainsborough Drive, Glenvale, Toowoomba, Qld. 4350.	
Property Type:	Residential	
Dwelling Type:	Single Unit	
Style of Construction:	Brick Area 592m ² New-build	
Date of Sale:	08/08/1998	
Price Paid:	\$106,000	
Registered Plan Number:	856589	
Date of Interview:	06/01/1999	Time: 11am

Section B: Interview Prompt

1. Martial Status: Widow Number of Dependants: None

2. First-time buyer Second-time buyer ✓ Other

3. Could you provide a brief description of the property?

The property comprises three bedrooms, two reception rooms, kitchen, two bathrooms, garage connected to the main building and a garden front/rear.

4. How long did it take to find this property?

The interviewees' previous home was on the open market for three months. The subject property was identified within this time. The price/value of property dictated the interviewees' housing search process. The interviewee moved homes because a low maintenance home was required and the previous home was a high maintenance Queenslander property.

5. How many properties did you inspect during this time?

Twelve properties were inspected during the three-month period.

6. Why did you purchase a new-build house?

Previous home was a timber construction (Queenslander) which required a high amount of maintenance. The interviewee felt that a brick construction would provide a more durable home requiring less maintenance. During the housing search process consideration was given to the future saleability of the property. It was felt that a new-build property would sustain its value better than the second-hand or timber alternatives.

7. What value attributes do you consider to influence the value/price of your home?

Location was considered one of the main value attributes, that is proximity to local amenities. An accessible garage from the main building, a low maintenance home with a manageable garden. Also, it being a new-build brick construction was felt to be a value attribute in itself.

8. Do you consider this to be your ideal home?

Yes, the property provides all of the pre-requisites required. It is situated in an ideal locality, close to amenities and has an accessible garage.

9. Do you have any other thoughts on any of the issues discussed today?

No

Section A Interview details

Interview Type:	Telephone	
Interview Number:	R02	
Interviewees' Name:	N/A	
Property Address:	8 Cecilia Street, Kearneys Spring. Toowoomba, Qld. 4350.	
Property Type:	Residential	
Dwelling Type:	Single Unit	
Style of Construction:	Brick Area 848m ² New-build	
Date of Sale:	20/11/1998	
Price Paid:	\$170,000	
Registered Plan Number:	807373	
Date of Interview:	06/01/1999	Time: 11.45am

Section B: Interview Prompt

1. Martial Status: Married Number of Dependants: Two

2. First-time buyer Second-time buyer ✓ Other

3. Could you provide a brief description of the property?

The property comprises four bedrooms (one en-suite), two reception rooms, kitchen, bathroom, garage and garden.

4. How long did it take to find this property?

The interviewees' previous home was on the market for ten months. A purchaser was identified and a "quick sale" was required. As a consequence the interviewee had to find an alternative property inside one week. Hence, the subject property was identified within a week. The interviewees' reason for moving home was the requirement of a larger property, which would suit a growing family.

5. How many properties did you inspect during this time?

Over the course of a week twenty-three properties were inspected and the subject property was found.

6. Why did you purchase a new-build house?

A new-build property was chosen for its fire resistance qualities, low maintenance and its suitability for a growing family.

7. What value attributes do you consider to influence the value/price of your home?

The key attributes identified were low maintenance, fire resistance and large block.

The interviewee considered the subject property to be well built standing on a $\frac{1}{3}$ acre as opposed to the norm $\frac{1}{4}$ acre. This was considered a definite value attribute.

Furthermore, its spaciousness inside and out was felt to be important. Its location close to local amenities and schools, the interior décor and the adjoining garage were all identified as value attributes.

8. Do you consider this to be your ideal home?

Yes, the subject property is ideal, as it is a large home suited to a growing family. The interviewee does not want to have to move again.

9. Do you have any other thoughts on any of the issues discussed today?

Aesthetically, the property did nothing for the interviewee. It was felt that the spaciousness and the interior décor compensated for the external appearance.

Section A Interview details

Interview Type:	Telephone	
Interview Number:	R03	
Interviewees' Name:	N/A	
Property Address:	24 Malt Court, Kearneys Spring, Toowoomba, Qld. 4350.	
Property Type:	Residential	
Dwelling Type:	Single Unit	
Style of Construction:	Brick Area 645m ² New-build	
Date of Sale:	15/08/1998	
Price Paid:	\$136,500	
Registered Plan Number:	867550	
Date of Interview:	06/01/1999	Time: 2pm

Section B: Interview Prompt

1. Martial Status: Single Number of Dependants: None

2. First-time buyer Second-time buyer ✓ Other

3. Could you provide a brief description of the property?

The subject property comprises three bedrooms, two reception rooms, kitchen, two bathrooms, garage, car port, garden and garden shed.

4. How long did it take to find this property?

The property was identified in one week. Due to borrowing constraints, the price of the property was the main consideration, with locational requirements directing the housing search process.

5. How many properties did you inspect during this time?

A total of three properties were inspected. The extras such as carport and garage largely influenced the interviewee to completing the transaction.

6. Why did you purchase a new-build house?

The interviewee considered a brick new-build property to require less maintenance than the timber alternative. Furthermore, it was felt that a new-build property would hold its value better than in the second-hand market.

7. What value attributes do you consider to influence the value/price of your home?

Location was the primary value attribute identified and took precedence during the housing search process. Its proximity to local amenities including supermarkets, restaurants, garden centre and the town centre were all locational considerations. The property's location within Toowoomba was also noted as a main value attribute. It was felt that purchasing property in an established area in Toowoomba would improve its future saleability. The extras such as the carport, garden shed and the double garage were listed as value attributes as they influenced the interviewees' decision to purchase.

8. Do you consider this to be your ideal home?

Yes, as it was within the interviewees price range and provided the pre-requisites identified during the housing search process. The interior decoration and layout were also identified as value attributes.

9. Do you have any other thoughts on any of the issues discussed today?

No

Section A Interview details

Interview Type: Personal

Interview Number: R04

Interviewees' Name: N/A

Property Address: 344 MacDougall Street,
Glenvale.
Toowoomba, Qld. 4350.

Property Type: Residential

Dwelling Type: Single Unit

Style of Construction: Brick
Area 675m²
New-build

Date of Sale: 21/07/1998

Price Paid: \$155,000

Registered Plan Number: 867512

Date of Interview: 08/01/1999

Time: 4.30pm

Section B: Interview Prompt

1. Martial Status: Divorced Number of Dependants: Two

2. First-time buyer Second-time buyer ✓ Other

3. Could you provide a brief description of the property?

The purchased property comprises four bedrooms, two reception rooms, two bathrooms, kitchen and adjoining utility room, double and single garage, garden and swimming pool.

4. How long did it take to find this property?

The property took two months to find. The interviewee had very specific locational requirements. A property mid-way between the interviewees' work and children was desired. The interviewee moved homes due to divorce. Requires a home with a suitable environment for his two children who he has living with him on a part-time basis.

5. How many properties did you inspect during this time?

Six properties were inspected during the housing search process.

6. Why did you purchase a new-build house?

A double garage was a pre-requisite as was a low maintenance home. The interviewee considered new homes to provide these requirements.

7. What value attributes do you consider to influence the value/price of your home?

Location and proximity to local amenities was considered a value attribute. The subject property contains three garages, a double connected to the main building and a single free standing. Interviewee considers this to be a value attribute and a selling point in the future. The property's brick construction and low-maintenance qualities were also identified as value attributes.

8. Do you consider this to be your ideal home?

The property provided the interviewee with all of the pre-requisites identified during

the housing search process. However, the property is not ideal for two reasons. Firstly, the house is lower than the road level, which in the event of flooding could cause problems. Secondly, the interviewee would have preferred a more natural façade (natural brickwork). This, however, was definitely outside the interviewee's price range.

9. Do you have any other thoughts on any of the issues discussed today?

The property is ideal for the interviewee because it is in the right location, within his price range and the accommodation offered is satisfactory.

Section A Interview details

Interview Type:	Personal	
Interview Number:	R05	
Interviewees' Name:	N/A	
Property Address:	17 May Court, Middle Ridge, Toowoomba, Qld. 4350.	
Property Type:	Residential	
Dwelling Type:	Single Unit	
Style of Construction:	Brick Area 623m ² New-build	
Date of Sale:	02/10/1998	
Price Paid:	\$168,000	
Registered Plan Number:	902914	
Date of Interview:	09/01/1999	Time: 11am

Section B: Interview Prompt

1. Martial Status: Married Number of Dependants: None (empty-nester)

2. First-time buyer Second-time buyer ✓ Other

3. Could you provide a brief description of the property?

The property comprises four bedrooms, two reception rooms, kitchen, two bathrooms, a double garage and garden front/rear.

4. How long did it take to find this property?

The housing search process was conducted over a three-month period. The interviewees had decided to build their home. While conducting a search for an appropriate site and developer they viewed the subject property. Firstly, the house had four bedrooms, which was a pre-requisite as they have people to stay often. Secondly, the outlook and view from the property appealed to the purchaser. Following consultation with their children, all professionals, they decided to purchase the speculative property.

5. How many properties did you inspect during this time?

Only the subject property was inspected.

6. Why did you purchase a new-build house?

Interviewees required a property that would hold its value and considered a new-build property capable of this. Both interviewees are in the retirement stage of life and considered it very important to purchase a property that would sell relatively easily in the future.

7. What value attributes do you consider to influence the value/price of your home?

Location – close to city centre and local amenities. Also the location of the property with the city of Toowoomba. The interviewees felt that purchasing a property in the “right neighbourhood” or in “an established area” of Toowoomba would ensure the future saleability of the property. Buying property in the right location would ensure that the property would hold its value and sell in the future. This was the main value

attribute identified. Other attributes identified include a slate roof, the design of the property, the outlook and view and the presence of a double garage. Also, the quite neighbourhood was considered by the interviewees to be a value attribute.

8. Do you consider this to be your ideal home?

No, ideally they would have liked to build. The interviewees had moved from a 5,000-acre holding to be nearer the city centre and its amenities. Externally, the brick finish did nothing for the interviewee, but improvements such as tree planting, shrubs and fences have since improved the aesthetic quality of the property. The interior is well laid out with a good design in the kitchen.

9. Do you have any other thoughts on any of the issues discussed today?

The neighbourhood is quite well suited to a retirement couple. The future saleability of the property was a primary consideration. The locality, that is Middle Ridge, is a very popular area in Toowoomba, “the place to live”, which in the interviewees opinion would ensure ease of a future sale.

Section A Interview details

Interview Type:	Personal	
Interview Number:	R06	
Interviewees' Name:	N/A	
Property Address:	45 Pillar Street, Middle Ridge, Toowoomba, Qld. 4350.	
Property Type:	Residential	
Dwelling Type:	Single Unit	
Style of Construction:	Brick Area 1203m ²	
Date of Sale:	19/06/1998	
Price Paid:	\$111,000	
Registered Plan Number:	893804	
Date of Interview:	09/01/1999	Time: 5pm

Section B: Interview Prompt

1. Martial Status: Married Number of Dependants: None (empty-nester)

2. First-time buyer Second-time buyer ✓ Other

3. Could you provide a brief description of the property?

The property comprises four bedrooms (1 en-suite), two reception rooms, kitchen, one bathroom, garage and garden front/rear.

4. How long did it take to find this property?

The housing search was conducted over a ten-month period. A larger home was required and this was the reason for moving homes.

5. How many properties did you inspect during this time?

A total of ten properties were inspected.

6. Why did you purchase a new-build house?

A durable, serviceable home, suited to a “live” family was required. A low maintenance home was sought and it was considered that a new-build, brick constructions offered these requirements.

7. What value attributes do you consider to influence the value/price of your home?

Residing in the “right neighbourhood” and a “more established neighbourhood” was the main value attribute suggested. Furthermore, the interviewees cited location and proximity to schools, universities and the town centre. Other attributes identified include the property being situated on a large block ($\frac{1}{4}$ acre), the presence of a tile roof and “Middle Ridge” itself being the primary value attribute.

8. Do you consider this to be your ideal home?

Yes, as it’s ideally suited to an active family. It is spacious both inside and out, and it is a “serviceable home”.

9. Do you have any other thoughts on any of the issues discussed today?

No. The interviewees offered assistance in the future should the researcher require more information.

Section A Interview details

Interview Type:	Personal	
Interview Number:	R07	
Interviewees' Name:	N/A	
Property Address:	56 Bouganvillea Drive, Middle Ridge, Toowoomba, Qld. 4350.	
Property Type:	Residential	
Dwelling Type:	Single Unit	
Style of Construction:	Brick Area 675m ² New-build	
Date of Sale:	17/09/1998	
Price Paid:	\$169,000	
Registered Plan Number:	888577	
Date of Interview:	09/01/1999	Time: 6pm

Section B: Interview Prompt

1. Martial Status: Married Number of Dependants: None (empty-nester)

2. First-time buyer Second-time buyer Other ✓

3. Could you provide a brief description of the property?

The property comprises four bedrooms (one en-suite), two reception rooms, kitchen, one bathroom, double garage and a garden front/rear.

4. How long did it take to find this property?

The housing search took two months. The interviewee moved home for tax reasons. The principle place of residence is not treated as a taxable asset. The interviewee is currently receiving a Mature Allowance, which at the age of 65 will reduce to a pension. Having a more valuable home will not affect his pension. A sum of \$20,000 was bequest to the interviewee, which prompted the relocation and investment in a more valuable home.

5. How many properties did you inspect during this time?

The house search involved two properties. The subject property had been out of the chosen price range. Subsequently, the asking price was reduced by \$5,000 which instigated the decision to purchase.

6. Why did you purchase a new-build house?

It was felt that a new-build property would hold its value better than the second-hand market (or Queenslander homes).

7. What value attributes do you consider to influence the value/price of your home?

The primary value attribute identified was low maintenance and location - close to local amenities and the town centre. Furthermore, living in the "right place" within Toowoomba was considered a value attribute. A double garage was also mentioned.

8. Do you consider this to be your ideal home?

Yes, the property is their ideal home. Only criticism being that the kitchen is a little

small but adequate. The interviewee considered that the ideal property will “sell easily as when needs be”.

9. Do you have any other thoughts on any of the issues discussed today?

No

Section A Interview details

Interview Type:	Personal	
Interview Number:	R08	
Interviewees' Name:	N/A	
Property Address:	1 Lincoln Close, Middle Ridge, Toowoomba, Qld. 4350.	
Property Type:	Residential	
Dwelling Type:	Single Unit	
Style of Construction:	Brick Area 915m ² New-build	
Date of Sale:	13/11/1998	
Price Paid:	\$200,000	
Registered Plan Number:	867572	
Date of Interview:	11/01/1999	Time: 7.30pm

Section B: Interview Prompt

1. Martial Status: Married Number of Dependants: One

2. First-time buyer Second-time buyer ✓ Other

3. Could you provide a brief description of the property?

The subject property comprises four bedrooms (one en-suite), three reception rooms, kitchen, study, two bathrooms, garden front/rear and a swimming pool.

4. How long did it take to find this property?

The interviewees had relocated to New South Wales from Victoria. A rental property was acquired for three months during the housing search process. The subject property was found within that time.

5. How many properties did you inspect during this time?

A total of four properties were inspected. All were speculative new-build property.

6. Why did you purchase a new-build house?

The interviewee considered new homes to hold their value better than second-hand homes.

7. What value attributes do you consider to influence the value/price of your home?

“Middle Ridge” was identified as the most valuable attribute. It was felt that by purchasing property in that area, the future saleability would be ensured. Low maintenance in the long-term, location and proximity to schools and the town centre, and a good neighbourhood, were also identified as value attributes.

8. Do you consider this to be your ideal home?

Yes. The interviewee required a home that was “ready-to-move-in”. The subject property has provided a spacious home in the right location and will sell in the future.

9. Do you have any other thoughts on any of the issues discussed today?

No.

Section A Interview details

Interview Type: Personal

Interview Number: R09

Interviewees' Name: N/A

Property Address: 10 Gerrard Street,
Middle Ridge,
Toowoomba, Qld. 4350.

Property Type: Residential

Dwelling Type: Single Unit

Style of Construction: Brick
Area 615m²
New-build

Date of Sale: 21/08/1998

Price Paid: \$163,500

Registered Plan Number: RPD: Lot 4 SP100761

Date of Interview: 12/01/1999

Time: 2.30pm

Section B: Interview Prompt

1. Martial Status: Married Number of Dependants: One

2. First-time buyer Second-time buyer ✓ Other

3. Could you provide a brief description of the property?

The purchased property comprises four bedrooms (1 en-suite), two reception rooms, open plan kitchen, one bathroom, double garage and garden front/rear.

4. How long did it take to find this property?

The interviewee originates from Hong Kong. On arriving in Queensland a rental property was acquired for a six-month period while conducting the housing search process. It was necessary for the interviewee to become familiar with Toowoomba before deciding on the area in which to live. Interviewee's partner attained employment at the local University, hence the move to Queensland.

5. How many properties did you inspect during this time?

The house search was conducted over several months and involved a large number of properties. Approximately twenty properties were inspected.

6. Why did you purchase a new-build house?

A similar home would not be obtainable in the country of origin. Main pre-requisite was a low maintenance home with a small/manageable garden. Interviewee decided new-build offered this criteria. Also, considered "new house valuable".

7. What value attributes do you consider to influence the value/price of your home?

The primary attribute identified was location. Proximity to local schools and the University were deemed very important. Also, living in a "good neighbourhood" was suggested as a value attribute. Other attributes identified include the design and layout of the property, and the presence of a double garage.

8. Do you consider this to be your ideal home?

Yes, as a similar property in the price range would not be found in the interviewees'

home country.

9. Do you have any other thoughts on any of the issues discussed today?

No.

Section A Interview details

Interview Type: Personal

Interview Number: R10

Interviewees' Name: N/A

Property Address: 4 Nicola Street,
Middle Ridge,
Toowoomba, Qld.4350.

Property Type: Residential

Dwelling Type: Single Unit

Style of Construction: Brick
Area 702m²
New-build

Date of Sale: 27/10/1998

Price Paid: \$185,000

Registered Plan Number: RPD: Lot 25 SP100761

Date of Interview: 12/01/1999

Time: 1.30pm

Section B: Interview Prompt

1. Martial Status: Married Number of Dependants: None (empty-nester)

2. First-time buyer Second-time buyer Other ✓

3. Could you provide a brief description of the property?

The property comprises four bedrooms (one en-suite), two reception rooms, kitchen, one bathroom, a double garage, garden front/rear and a garden shed.

4. How long did it take to find this property?

The housing search was conducted over one month. The interviewee had relocated to Toowoomba due to partner having found work in the area.

5. How many properties did you inspect during this time?

The interviewee inspected three properties during the housing search process. The subject property was built as a speculative home.

6. Why did you purchase a new-build house?

Interviewee felt that the new homes market offers houses that require low maintenance due to their brick construction and slate roof.

7. What value attributes do you consider to influence the value/price of your home?

The interviewee purchased the subject property because it is situated in a prime residential area in Toowoomba. As a consequence, it was felt that the property would hold its value and this was the main value attribute identified. The property's location and proximity to the town centre and other local amenities was also deemed to be a value attribute. Other factors identified include a slate roof, the presence of a double garage and the aesthetic appearance of the home.

8. Do you consider this to be your ideal home?

No, as a number of features in the property were inadequate. Firstly, the TV and telephone points were installed but not connected. Secondly, the light fittings in the kitchen did not provide efficient lighting and as a consequence they had to be moved.

Thirdly, the property required a split system air conditioning unit. Finally, the roof required insulation.

9. Do you have any other thoughts on any of the issues discussed today?

No. The interviewees offered assistance in the future should the researcher require more information.

Appendix V Consumer Interview Summaries: United Kingdom



Section A Interview details

Interview Type: Personal

Interview Number: R11

Interviewees' Name: N/A

Property Address: 14 Cae Nant Gledyr,
Caerphilly,
Cardiff.

Property Type: Residential

Dwelling Type: Detached toe-storey

Style of Construction: Brick new-build

Date of Sale: January 1999

Price Paid: £97,000

Registered Plan Number: n/a

Date of Interview: 23/06/00

Time: 2.30pm

Section B: Interview Prompt

1. Martial Status: Married

Number of Dependants: 3

2. First-time buyer

Second-time buyer

Other

4th

3. Could you provide a brief description of the property?

The property comprises four bedrooms, one en-suite and one main bathroom, two reception rooms, kitchen and garage.

4. How long did it take to find this property?

Family grew out of last home due to running a home business from their house.

Interviewee's previous home was in Caerphilly, they heard of the planned estate, which is small in size. This prompted their decision to move homes and the decision was made within about one month.

5. How many properties did you inspect during this time?

Interviewee inspected two properties during the search process but agreed a part exchange deal with Taywood Builders, which facilitated sale of their previous home.

6. Why did you purchase a new-build house?

Overlapping on the previous question buying a new home on a part exchange deal meant ease of sale of their previous home. Interviewee feels that new homes avoid the chain of hassle associated with the second-hand market.

7. What value factors do you consider to influence the value/price of your home?

The house is situated on a small estate, with the rear of the property overlooking a wooded area. This will prevent development at the back of the house allowing a great deal of privacy for a house on a housing estate. As such, there is no risk of over-development, which should ensure the value of the home is maintained. The aspect of the property is good, morning sun etc. Also its location in relation to Caerphilly, the Motorway and Cardiff city centre.

8. Do you consider this to be your ideal home?

Yes, as it's suitable for both the interviewee's family and his business, which he runs from home. This is afforded by the large double garage, which is also deemed to be a value attribute.

9. Do you have any other thoughts on any of the issues discussed today?

From experience of both markets the interviewee believes that the sale process associated with new homes is hassle free in comparison with the second-hand market as it omits estate agents from the process and the cost of these agents.

Section A Interview details

Interview Type:	Personal	
Interview Number:	R12	
Interviewees' Name:	N/A	
Property Address:	31 Cae Nant Gledyr, Caerphilly, Cardiff.	
Property Type:	Residential	
Dwelling Type:	Detached two-storey	
Style of Construction:	Brick new-build	
Date of Sale:	March 1999	
Price Paid:	£114,500	
Registered Plan Number:	n/a	
Date of Interview:	23/06/00	Time: 2.55pm

Section B: Interview Prompt

1. Martial Status: Married Number of Dependants: 2

2. First-time buyer Second-time buyer Other ✓

3. Could you provide a brief description of the property?

The property comprises four bedrooms with one en-suite and one main bathroom. It contains two reception room and a kitchen. It also has a double garage.

4. How long did it take to find this property?

The interviewee's are local to Caerphilly, their previous home was also in the area. Therefore, the search was conducted over a weekend in that they had heard about the site and following inspection of the site and plans they decided to purchase on the estate.

5. How many properties did you inspect during this time?

Interviewee did inspected four other sites but mainly for comparison with the subject property (and site) as he was in no doubt that they would opt to purchase in Cae Nant Gledyr.

6. Why did you purchase a new-build house?

The house is brand new and as a consequence is maintenance-free which was a pre-requisite. Furthermore, the part-exchange deal offered by the builder was an incentive to purchase new build, as the process is hassle-free in that they did not have to worry about selling their previous home.

7. What value factors do you consider to influence the value/price of your home?

Firstly the house is situated on a small housing estate and it is likely that it will remain small. The neighbourhood is nice and the estate location is also important. Internal to the property the design is very good with a feature hallway, which is, believed to be a value factor. Finally, the double garage is important.

8. Do you consider this to be your ideal home?

Yes, it is ideal for their family needs.

9. Do you have any other thoughts on any of the issues discussed today?

The part exchange system has made the sale and purchasing process much easier and attractive to homeowners. Having already noted a house price rise on the estate since purchasing their property they believe that the small estate improves the sustainability of the price paid.

Section A Interview details

Interview Type:	Personal	
Interview Number:	R13	
Interviewees' Name:	N/A	
Property Address:	17 William Belcher Drive, St. Mellons, CF3 0NZ.	
Property Type:	Residential	
Dwelling Type:	Detached two storey	
Style of Construction:	Brick new-build	
Date of Sale:	August 1999	
Price Paid:	£99,950	
Registered Plan Number:	n/a	
Date of Interview:	23/06/00	Time: 4.15pm

Section B: Interview Prompt

1. Martial Status: Married Number of Dependants: 2

2. First-time buyer Second-time buyer Other ✓

3. Could you provide a brief description of the property?

The property comprises four bedrooms with one en-suite, one main bathroom, three reception rooms and kitchen.

4. How long did it take to find this property?

The interviewee's housing search took between six and eight months. Did consider homes in the second-hand market but decided that to renovate an older home would be too costly.

5. How many properties did you inspect during this time?

At a guess, twenty plus, incorporating both new and second-hand homes.

6. Why did you purchase a new-build house?

Mainly due to the cost factor of buying an older home. Older homes require a lot of renovation to get them the way you want, so it is easier to buy a new home, particularly as I work a lot. The subject property was identified and it suited family requirements.

7. What value factors do you consider to influence the value/price of your home?

The general locality that the property is in. Firstly, the actual neighbourhood is very nice and property values should increase in this area making it seem like a good investment. It is ideally located with regards to the M4 motorway and Cardiff city centre. Other factors mentioned include the house stands on a larger plot than is the norm on the estate, parking facilities, and the style of the house.

8. Do you consider this to be your ideal home?

No, the interviewee's ideal home would be further away from the city in a country location with less neighbours.

9. Do you have any other thoughts on any of the issues discussed today?

No

Section A Interview details

Interview Type: Personal

Interview Number: R14

Interviewees' Name: N/A

Property Address: 25 William Belcher Drive,
St. Mellons,
CF3 0NZ.

Property Type: Residential

Dwelling Type: Detached two storey

Style of Construction: Brick new-build

Date of Sale: December 1999

Price Paid: £157,995

Registered Plan Number: n/a

Date of Interview: 23/06/00

Time: 4.40pm

Section B: Interview Prompt

1. Martial Status: Married Number of Dependants: No

2. First-time buyer Second-time buyer ✓ Other

3. Could you provide a brief description of the property?

The house is a five bedroom detached property with three reception rooms, 2½ bathrooms and a kitchen/utility.

4. How long did it take to find this property?

The search was conducted over a two-month period.

5. How many properties did you inspect during this time?

Over twenty properties, all in the new homes market.

6. Why did you purchase a new-build house?

The interviewee needed to relocate quickly and felt that the sale process associated with new homes is quick and more efficient than that of the second-hand market. Problems such as gazumping are avoided with new homes. Finally, the warranty which comes with new homes and its low maintenance.

7. What value factors do you consider to influence the value/price of your home?

The property is large and offers good value for money. It is situated in a good neighbourhood and it ideally located near the M4 motorway.

8. Do you consider this to be your ideal home?

No, the owner is not from Wales and would prefer to live elsewhere but is in Wales due to husband's work.

9. Do you have any other thoughts on any of the issues discussed today?

No.

Section A Interview details

Interview Type:	Personal	
Interview Number:	R15	
Interviewees' Name:	N/A	
Property Address:	29 William Belcher Drive, St. Mellons, CF3 0NZ.	
Property Type:	Residential	
Dwelling Type:	Detached two storey	
Style of Construction:	Brick new build	
Date of Sale:	December 1999	
Price Paid:	£159,000	
Registered Plan Number:	n/a	
Date of Interview:	23/06/00	Time: 5pm

Section B: Interview Prompt

1. Martial Status: Married Number of Dependants: No

2. First-time buyer Second-time buyer ✓ Other

3. Could you provide a brief description of the property?

The property comprises five bedrooms, 2½ bathrooms, three reception rooms, kitchen and utility.

4. How long did it take to find this property?

The housing search took approximately six months to a year. Ideally the interviewee would have preferred a home with fewer bedrooms but during the search process he found that houses are in proportion and those with fewer bedrooms had smaller living accommodation and the interviewee required a large living area with a study to allow working from home.

5. How many properties did you inspect during this time?

At least twenty, in both the new and second-hand markets.

6. Why did you purchase a new-build house?

Mainly due to requiring a large living area which is offered in newer homes.

7. What value factors do you consider to influence the value/price of your home?

The house is large and very spacious and is laid out very well. Its location is ideal with both Cardiff city centre and the M4 motorway within an accessible distance. The neighbourhood is also very good and the property has a ten-year builders guarantee and is a low maintenance home.

8. Do you consider this to be your ideal home?

The property is ideally located but the interviewee is in Wales for work. It is not where he ideally wants to live.

9. Do you have any other thoughts on any of the issues discussed today?

Problems experienced during the purchasing process arose with builders and sales force, mainly time delays and financial difficulties.

Section A Interview details

Interview Type:	Personal	
Interview Number:	R16	
Interviewees' Name:	N/A	
Property Address:	1 Butterbar Place, Westfield Park, St. Fagans, CF5 4QZ.	
Property Type:	Residential	
Dwelling Type:	Detached two storey	
Style of Construction:	Brick new build	
Date of Sale:	May 1999	
Price Paid:	£89,500	
Registered Plan Number:	n/a	
Date of Interview:	24/06/00	Time: 11.30am

Section B: Interview Prompt

1. Martial Status: Single Number of Dependants: 1

2. First-time buyer Second-time buyer ✓ Other

3. Could you provide a brief description of the property?

Four bedroom house with 2 bathrooms, kitchen, open plan living area incorporating two reception rooms and a single garage.

4. How long did it take to find this property?

Housing search took approximately four months and included mainly Persimmon homes in various locations around Cardiff, including homes in Merthyr, Thornhill, Penarth and St. Fagans.

5. How many properties did you inspect during this time?

Under ten properties.

6. Why did you purchase a new-build house?

Wanted a brand new home. The interviewee has a fetish for new carpets. She did not want to inherit someone else's tastes nor did she want to have to undertake renovations or decoration.

7. What value factors do you consider to influence the value/price of your home?

The main value factor to the interviewee is a maintenance-free home. That was the reason behind purchasing a Persimmon home as these contain non-wooden windows. The interviewee felt that wooden windows require attention at least once a year. The other main value factor is the houses' location, being ideally situated close to the A48 to Cardiff and the Motorway. The house offers great value for money, the same house in a number of locations inspected by the interviewee during the housing search process would have cost a great deal more and resulted in the interviewee purchasing a smaller home elsewhere. Other factors mentioned include a detached home, corner plot, which is larger than most, no neighbours overlooking the house, and a spacious

home. The home does offer an element of privacy even though it is on a housing estate.

8. Do you consider this to be your ideal home?

In terms of finance, the house is ideal being great value for money. Also, the house met all the interviewees' personal criteria and as such is ideal.

9. Do you have any other thoughts on any of the issues discussed today?

No.

Section A Interview details

Interview Type: Personal

Interview Number: R17

Interviewees' Name: N/A

Property Address: 18 Marguerites Way,
Westfield Park,
St. Fagans,
CF5 4QW.

Property Type: Residential

Dwelling Type: Detached two storey

Style of Construction: Brick new build

Date of Sale: March 1999

Price Paid: £110,000

Registered Plan Number: n/a

Date of Interview: 24/06/00

Time: 12.10pm

Section B: Interview Prompt

1. Martial Status: Married Number of Dependants: 2

2. First-time buyer Second-time buyer ✓ Other

3. Could you provide a brief description of the property?

The property comprises a four bedroom property with 2 bathrooms, two reception rooms, kitchen and double garage.

4. How long did it take to find this property?

The housing search took over a year. Agreed a good deal with the builder on a part exchange basis with clinched the deal to purchase the subject property.

5. How many properties did you inspect during this time?

Interviewee estimates that approximately twenty properties were viewed during this time all in the new homes market.

6. Why did you purchase a new-build house?

The main reason for purchasing a new home was that the interviewee works long hours at Panasonic and would not be available for decoration or renovation. New homes require a minimal amount of maintenance in the long term. Also, the interviewees previous home had been a second-hand home which he spent over fourteen years improving/decorating/renovating The accommodation and interior suited the interviewee.

7. What value factors do you consider to influence the value/price of your home?

The main value factors identified include location and proximity to the city centre and its accessibility to the M4 motorway and the interviewees route to work, proximity to local amenities for his family in particular.

8. Do you consider this to be your ideal home?

The house is great but a risk has been taken in that the Park borders with Ely, a large

council estate. However, the home still offers good value for money.

9. Do you have any other thoughts on any of the issues discussed today?

During the search process the respondent discovered that the same house located in a better area in Cardiff would cost approximately £40,000 more. He feels that should property prices slump, the subject property would sustain its value better than the equivalent in say Thornhill, as the purchase price paid was more reflective of the cost of construction and the land values.

Section A Interview details

Interview Type: Personal

Interview Number: R18

Interviewees' Name: N/A

Property Address: 20 Marguerites Way,
Westfield park,
St. Fagans,
CF5 4QW.

Property Type: Residential

Dwelling Type: Detached two storey

Style of Construction: Brick new build

Date of Sale: May 1999

Price Paid: £99,450

Registered Plan Number: n/a

Date of Interview: 24/06/00

Time: 12.35pm

Section B: Interview Prompt

1. Martial Status: Married Number of Dependants: No

2. First-time buyer Second-time buyer ✓ Other

3. Could you provide a brief description of the property?

House comprises four bedrooms, two bathrooms, two reception rooms, kitchen and utility and a garage.

4. How long did it take to find this property?

The housing search was conducted over a two-month period

5. How many properties did you inspect during this time?

It involved two sites and did not include second-hand homes in the search process as the interviewee was pursuing a part-exchange deal with the builder.

6. Why did you purchase a new-build house?

Achieved an excellent deal with the builder as he part-exchanged his previous home. This method of home buying excludes estate agents and the associated costs and is as a consequence is less hassle.

7. What value factors do you consider to influence the value/price of your home?

The primary factor is location as both the city centre and the M4 motorway is within 10 minutes of the subject property. It is a large home standing on a good size plot. Internally the home could be described as very accessible. The home was finished to a very high standard including extras such as out-door water taps.

8. Do you consider this to be your ideal home?

For the interviewee's stage of life he and his partner would consider the home ideal and are very happy with it.

9. Do you have any other thoughts on any of the issues discussed today?

The agency and sale process with Barrett homes worked very well and the interviewee

would recommend this method of sale to those homeowners wishing to trade their homes for a new home.

Section A Interview details

Interview Type:	Personal	
Interview Number:	R19	
Interviewees' Name:	N/A	
Property Address:	48 Marguerites Way, Westfield Park, St. Fagans, CF5 4QW.	
Property Type:	Residential	
Dwelling Type:	Detached two storey	
Style of Construction:	Brick new build	
Date of Sale:	May 2000	
Price Paid:	£114,000	
Registered Plan Number:	n/a	
Date of Interview:	24/06/00	Time: 12.50pm

Section B: Interview Prompt

1. Martial Status: Married Number of Dependants: No

2. First-time buyer Second-time buyer Other 3rd

3. Could you provide a brief description of the property?

House contains four bedrooms with one en-suite and one main bathroom. There are two reception rooms, a kitchen and utility and a double garage.

4. How long did it take to find this property?

Housing search took approximately two months and included new homes only.

5. How many properties did you inspect during this time?

Five sites in all.

6. Why did you purchase a new-build house?

The interviewee required a maintenance-free home as her husband works away from home. Also wanted to buy house that has a 10-year NHBC guarantee.

7. What value factors do you consider to influence the value/price of your home?

Firstly, the price of the property, the house is great value for money. Also the aesthetic appearance of the home and the internal layout of the house offers a very spacious home. It is also located near to the A48, which is 10 minutes from the city centre and the M4 motorway.

8. Do you consider this to be your ideal home?

No, the house itself is great but would prefer not to live on an estate and in particular not near Ely.

9. Do you have any other thoughts on any of the issues discussed today?

No

Section A Interview details

Interview Type:	Personal	
Interview Number:	R20	
Interviewees' Name:	N/A	
Property Address:	50 Marguerites Way, Westfield Park, St. Fagans, CF5 4QW.	
Property Type:	Residential	
Dwelling Type:	Semi-detached two storey	
Style of Construction:	Brick new build	
Date of Sale:	May 2000	
Price Paid:	£89,000	
Registered Plan Number:	n/a	
Date of Interview:	24/06/00	Time: 1.20pm

Section B: Interview Prompt

1. Martial Status: Widow Number of Dependants: No

2. First-time buyer Second-time buyer Other 13th

3. Could you provide a brief description of the property?

Three bedroom semi-detached residence with one bathroom, two reception rooms, kitchen and a garage.

4. How long did it take to find this property?

Housing search was conducted over a three-month period.

5. How many properties did you inspect during this time?

Only new homes were viewed during the search process. Five sites in total were inspected.

6. Why did you purchase a new-build house?

The interviewee required a brand new home for its low maintenance qualities.

7. What value factors do you consider to influence the value/price of your home?

Main factors include the accessible public transport and local amenities. It is ideally located in terms of the main network of roads to Cardiff and the M4. The internal design and layout and the external aesthetic appearance of the property.

8. Do you consider this to be your ideal home?

No.

9. Do you have any other thoughts on any of the issues discussed today?

The hassle encountered selling previous home was enormous compared to the hassle free process of buying through the builders and not having to involve estate agents.

Appendix VI Consumer Interview Summaries: Ireland



Section A Interview details

Interview Type: Personal

Interview Number: 21

Interviewees' Name: N/A

Property Address: 83 Wrenville,
Kilmoney,
Carrigaline,
Co. Cork.

Property Type: Residential

Dwelling Type: Detached two-storey

Style of Construction: Brick new build

Date of Sale: 1st May, 2000

Price Paid: £140,000

Registered Plan Number: n/a

Date of Interview: 28th June, 2000

Time: 8.05pm

Section B: Interview Prompt

1. Martial Status: Married Number of Dependants: 1

2. First-time buyer Second- time buyer ✓ Other

3. Could you provide a brief description of the property?

The property comprises four bedrooms with 2½ bathrooms, four reception rooms and kitchen cum utility room.

4. How long did it take to find this property?

The housing search took about three months and concentrated on the new homes market.

5. How many properties did you inspect during this time?

Two sites were involved during the housing search process. Interviewee agreed to purchase a home another site but cancelled when a house became available on the Wrenville site due to a cancellation.

6. Why did you purchase a new-build house?

Main reason for choosing a new home was that the interviewee did not want to have to renovate or decorate their new home. Also felt that new homes are finished better.

7. What value factors do you consider to influence the value/price of your home?

The house has a very large living area and is a very spacious home. The property's location is convenient to Carrigaline and its local amenities.

8. Do you consider this to be your ideal home?

No, interviewee would prefer to build on a site and have more privacy than is offered by the subject property, which is situated on an estate.

9. Do you have any other thoughts on any of the issues discussed today?

No.

Section A Interview details

Interview Type:	Personal	
Interview Number:	22	
Interviewees' Name:	N/A	
Property Address:	62 Wrenville, Kilmoney, Carrigaline, Co. Cork.	
Property Type:	Residential	
Dwelling Type:	Detached two-storey	
Style of Construction:	Brick new build	
Date of Sale:	February 2000	
Price Paid:	£110,000	
Registered Plan Number:	n/a	
Date of Interview:	28 th June, 2000	Time: 8.30pm

Section B: Interview Prompt

1. Martial Status: Married Number of Dependants: 2

2. First-time buyer Second- time buyer ✓ Other

3. Could you provide a brief description of the property?

Four bedrooms with one en-suite and one main bathroom, three reception rooms, kitchen, downstairs toilet, and a garage.

4. How long did it take to find this property?

Housing search took approximately six months. Did want to buy a site and self-build but decided that it was too expensive.

5. How many properties did you inspect during this time?

Visited three sites with new-build housing and two sites appropriate for self-build.

6. Why did you purchase a new-build house?

Wanted house that did not need renovation or decoration. New houses offered a home with fewer hassles than a second-hand home. Also wanted a detached home larger than the interviewees' previous home, which was a semi-detached property.

7. What value factors do you consider to influence the value/price of your home?

Firstly, it is a detached house, which is large and very spacious. It is situated on a small housing estate convenient to the local amenities offered in Carrigaline.

8. Do you consider this to be your ideal home?

For the moment the house is ideal in that is large and spacious and suitable for the interviewees family needs. However, ideally the interviewee would prefer a site not so close to neighbours.

9. Do you have any other thoughts on any of the issues discussed today?

No.

Section A Interview details

Interview Type: Personal

Interview Number: 23

Interviewees' Name: N/A

Property Address: 6 Shrewsbury Park,
Fernhill,
Carrigaline,
Co. Cork.

Property Type: Residential

Dwelling Type: Detached Two storey

Style of Construction: Brick New build

Date of Sale: January 1999

Price Paid: £99,0000

Registered Plan Number: n/a

Date of Interview: 29th June, 2000

Time: 3pm

Section B: Interview Prompt

1. Martial Status: Married Number of Dependants: 2

2. First-time buyer Second- time buyer ✓ Other

3. Could you provide a brief description of the property?

A five bedroom detached property with three reception rooms, kitchen/utility and 2½ bathrooms.

4. How long did it take to find this property?

The interviewee heard about the site and went to see the plans. Having seen the plans the interviewee then decided to move homes.

5. How many properties did you inspect during this time?

None, just the subject property.

6. Why did you purchase a new-build house?

Mainly because the interviewee liked the house, its style and spaciousness which suits a growing family.

7. What value factors do you consider to influence the value/price of your home?

That the property is detached is value attribute in itself. It is situated on a large site, is a spacious home internally, the interior décor is to high standard with solid wooden floors and doors, and it contains double glazed windows.

8. Do you consider this to be your ideal home?

Yes

9. Do you have any other thoughts on any of the issues discussed today?

The interviewee purchased the home from the plans, which meant making stage payments during the construction process. These were crippling as the interviewee was also paying rent for a property in the interim. When delays occurred this increased the cost of the home due to the reasons already mentioned.

Section A Interview details

Interview Type: Personal

Interview Number: 24

Interviewees' Name: N/A

Property Address: 3 Shrewsbury Park,
Fernhill,
Carrigaline,
Co. Cork.

Property Type: Residential

Dwelling Type: Detached two storey

Style of Construction: Brick new build

Date of Sale: December 1999

Price Paid: £100,000

Registered Plan Number: n/a

Date of Interview: 29th June, 2000

Time: 3.25pm

Section B: Interview Prompt

1. Martial Status: Married Number of Dependants: 2

2. First-time buyer Second- time buyer ✓ Other

3. Could you provide a brief description of the property?

The property is a five-bedroom home with three reception rooms, a kitchen cum utility and has 2½ bathrooms.

4. How long did it take to find this property?

Just a few weeks. Did not visit any second-hand homes or sites but inspected approximately five homes from plans held by estate agents.

5. How many properties did you inspect during this time?

Five homes in total from outline plans.

6. Why did you purchase a new-build house?

Interviewee wanted a brand new home on a small estate and come with a builder's guarantee.

7. What value factors do you consider to influence the value/price of your home?

The house is situated on a very small estate with only ten houses, its privacy in that the house is not looked on from other house behind, stands on a large site of about ¼ acre yet still manageable, the house is very square each room is a square which in the interviewees opinion makes the house very useable, with the large rooms being adaptable and accessible. It is also ideally located from the amenities of Carrigaline and is within walking distance from the local school.

8. Do you consider this to be your ideal home?

Yes.

9. Do you have any other thoughts on any of the issues discussed today?

The value of the subject property has almost trebled since purchasing the property 18

months ago. The most recent comparable sale at £275,000 shows an increase close to 300%, which is a phenomenal increase. In fact the three bedrooms bungalows situated on a neighbouring site cost more today (£120,000) than the interviewees five-bedroom house.

Section A Interview details

Interview Type: Personal

Interview Number: 25

Interviewees' Name: N/A

Property Address: 4 Shrewsbury Park,
Fernhill,
Carrigaline,
Co. Cork.

Property Type: Residential

Dwelling Type: Detached two storey

Style of Construction: Brick new build

Date of Sale: November 1998

Price Paid: £90,000

Registered Plan Number: n/a

Date of Interview: 29th June, 2000

Time: 3.45pm

Section B: Interview Prompt

1. Martial Status: Married Number of Dependants: 3

2. First-time buyer Second- time buyer ✓ Other

3. Could you provide a brief description of the property?

House comprises five bedrooms, three reception rooms, a kitchen cum utility room, 2½ bathrooms and a garage.

4. How long did it take to find this property?

The interviewee had been looking around for a new home for about two years.

5. How many properties did you inspect during this time?

During this time the interviewee seriously considered homes on six different sites.

6. Why did you purchase a new-build house?

The interviewee wanted a brand new home that she could decorate from scratch.

Second-hand homes were not included during the housing search.

7. What value factors do you consider to influence the value/price of your home?

Firstly, the property is ideally located close to the centre of Carrigaline. It is situated on a small estate with only ten homes on the estate. The house itself is aesthetically pleasing, is large and very spacious internally the finish includes wooden floors and doors and the plot itself is also large.

8. Do you consider this to be your ideal home?

No, would like to self-build and plan a house from scratch.

9. Do you have any other thoughts on any of the issues discussed today?

No.

Section A Interview details

Interview Type: Personal

Interview Number: 26

Interviewees' Name: N/A

Property Address: 1 Wrenville,
Kilmoney,
Carrigaline,
Co. Cork.

Property Type: Residential

Dwelling Type: Detached two storey

Style of Construction: Brick new build

Date of Sale: October 1999

Price Paid: £130,000

Registered Plan Number: n/a

Date of Interview: 29th June, 2000

Time: 4pm

Section B: Interview Prompt

1. Marital Status: Married Number of Dependants: 1

2. First-time buyer Second- time buyer ✓ Other

3. Could you provide a brief description of the property?

The property is a four bed detached residence with four reception rooms now that the garage has been converted. It also contains a kitchen and utility room and has 2½ bathrooms.

4. How long did it take to find this property?

The interviewee had been looking for a site to undertake a self-build. However, they heard of this site, inspected the plans and booked the house with the builder. The interviewee's previous home was bought from the same builder.

5. How many properties did you inspect during this time?

Interviewee did not inspect any other housing estates. All in all the housing search took a week, from identifying the site to inspecting the plans and agreeing a sale with the builder.

6. Why did you purchase a new-build house?

Interviewee was able to get involved at the design stage and was able to design the house to suit needs. Also, they wanted a brand new home as they have one child under the age of two and infant due in three weeks. They did not want old carpets etc.

7. What value factors do you consider to influence the value/price of your home?

The property stands on a large site (largest in the estate); it has four bedrooms, a personalised driveway and is close to Carrigaline and the amenities available in the town.

8. Do you consider this to be your ideal home?

The house is ideal as it suits family needs. However, the interviewee would have

preferred a home nearer the city but could not afford the same house in the city.
The subject property offers good value for money.

9. Do you have any other thoughts on any of the issues discussed today?

The property is finished to a very high standard with solid wooden floors and doors and other extras.

Section A Interview details

Interview Type: Personal

Interview Number: 27

Interviewees' Name: N/A

Property Address: 64 Wrenville,
Kilmoney,
Carrigaline,
Co. Cork.

Property Type: Residential

Dwelling Type: Detached two storey

Style of Construction: Brick new build

Date of Sale: Agreed sale March 1999 and moved in to property March 2000

Price Paid: £127,500

Registered Plan Number: n/a

Date of Interview: 29th June 2000

Time: 4.25pm

Section B: Interview Prompt

1. Martial Status: Married Number of Dependants: 1

2. First-time buyer Second- time buyer ✓ Other

3. Could you provide a brief description of the property?

A four bedroom detached property with 2½ bathrooms, three reception rooms, a kitchen and utility.

4. How long did it take to find this property?

About two weeks.

5. How many properties did you inspect during this time?

Had been looking for a site to undertake a self-build house. Could not find a suitable site so when they heard of this development they decided to buy in a very short time.

6. Why did you purchase a new-build house?

Mainly for the ten-year builders guarantee and also their previous home had been a new home which they were very happy with at the time. Obviously they out grew their previous home due to increasing family size.

7. What value factors do you consider to influence the value/price of your home?

Firstly its size, it is a large spacious home. It stands on a good size plot with a garden front and rear. Also the estate is not too large and the homes are private even though they are situated on an estate. Furthermore, the low maintenance qualities which go with a new home.

8. Do you consider this to be your ideal home?

No because it is on an estate. The interviewee would have preferred to build on their own site.

9. Do you have any other thoughts on any of the issues discussed today?

No.

Section A Interview details

Interview Type: Electronic

Interview Number: 28

Interviewees' Name: N/A

Property Address: 5 Wrenville,
Kilmoney,
Carrigaline,
Co. Cork.

Property Type: Residential

Dwelling Type: Detached Two-Storey

Style of Construction: Brick New-Build

Date of Sale: November 6, 2000

Price Paid: £127,500

Registered Plan Number: n/a

Date of Interview: July 4, 2000 **Time:**

Section B: Interview Prompt

1. Martial Status: Divorced Number of Dependants: 1

2. First-time buyer Second- time buyer Other ✓

3. Could you provide a brief description of the property?

4 bedroom detached property

4. How long did it take to find this property?

I started to look in late '98. I wasn't quite sure at the time if I wanted to move, or if in fact I wanted a bigger house (I came from a 3-bed semi). I found this estate in late January 2000, took 2 weeks to make up my mind (had originally thought of a 4 bed semi, but they were sold out for phase 1, hence the detached.)

5. How many properties did you inspect during this time?

Between new and second-hand we inspected approximately 20 properties.

6. Why did you purchase a new-build house?

I wanted something to call my own – and I wanted to put my own ideas and thoughts into the design (interior). It's also a nice feeling to know that it's new and it has your own personal touch

7. What value factors do you consider to influence the value/price of your home?

The location of the property – I lived closer to the village and felt the traffic annoying to both myself and my daughter (sic) – I wanted to have a "countryside" location, but yet be close to the centre for my child. The design and construction of the house, appear to be more upmarket for the newer type of houses in the area also

8. Do you consider this to be your ideal home?

Yes, it is. This is my third home, and I really at this stage don't want to move again (given that I am now 40!, I feel happy and comfortable).

9. Do you have any other thoughts on any of the issues discussed today?

I feel sorry for young people starting off. I have had two previous homes, and therefore had equity to carry me. Starting afresh is difficult, and hopefully the government will intervene and allow young couples the opportunity to purchase their own home early in their lives. I do also feel that the construction industry is taking advantage of people, and hopefully the economy will stabilise (before it bursts) to allow a fair chance for all.

Section A Interview details

Interview Type:	Personal	
Interview Number:	29	
Interviewees' Name:	N/A	
Property Address:	58 Wrenville Kilmoney, Carrigaline, Co. Cork.	
Property Type:	Residential	
Dwelling Type:	Detached two storey	
Style of Construction:	Brick new-build	
Date of Sale:	January 2000	
Price Paid:	£145,000	
Registered Plan Number:	n/a	
Date of Interview:	29 th June 2000	Time: 7pm

Section B: Interview Prompt

1. Martial Status: Married Number of Dependants: 2

2. First-time buyer Second- time buyer ✓ Other

3. Could you provide a brief description of the property?

Property comprises four bedrooms, 3 reception rooms, 2½ bathrooms, and kitchen and utility room.

4. How long did it take to find this property?

Interviewee relocated from Dublin. Their housing search was conducted over two weekends in Cork.

5. How many properties did you inspect during this time?

Inspected 2 to 3 new sites and 2 to 3 second-hand homes.

6. Why did you purchase a new-build house?

Mainly because the interviewee wanted to start from scratch with a house. Also, the subject property was available, suited family requirements and was within their chosen price bracket.

7. What value factors do you consider to influence the value/price of your home?

Firstly, its location near Carrigaline. Its size as it is a spacious home. Also the outlook of the property getting the morning sun at the back of the house and the evening sun at the front of the house. Also, it is situated on a relatively small estate of 80 houses.

8. Do you consider this to be your ideal home?

Yes as it suits family needs at the moment.

9. Do you have any other thoughts on any of the issues discussed today?

Time delays incur huge costs. The builder got delayed which meant the interviewee had to continue paying rent and also paying for the subject property.

Section A Interview details

Interview Type: Personal

Interview Number: 30

Interviewees' Name: N/A

Property Address: 56 Murwood Avenue,
Riverstown,
Glanmire,
Co. Cork.

Property Type: Residential

Dwelling Type: Detached

Style of Construction: Brick New-build

Date of Sale: January 2000

Price Paid: £145,000

Registered Plan Number: n/a

Date of Interview: 30th June, 2000

Time: 12.05pm

Section B: Interview Prompt

1. Martial Status: Married Number of Dependants: 1

2. First-time buyer Second- time buyer ✓ Other

3. Could you provide a brief description of the property?

The property is a detached new-build brick construction comprising four bedrooms with one en-suite, one reception room, large kitchen, utility, one main bathroom and downstairs toilet.

4. How long did it take to find this property?

Property was identified within two weeks.

5. How many properties did you inspect during this time?

The interviewee inspected three properties all new build.

6. Why did you purchase a new-build house?

The interviewee decided to purchase a new-build property, which would require stage payments during construction as opposed to one lump sum. This facilitated the selling of the old property. Also, with a new-build property the interviewee was able to design the property and therefore have a property ready-to-move-in on completion of property.

7. What value factors do you consider to influence the value/price of your home?

The properties main value attribute is its location just 4½ miles from Cork City centre. It is situated between the city and Little Island, which is a large industrial zone in Cork. Interviewee feels it is ideally located near the new tunnel, which joins the north, and south of the city. It is also close to local amenities and schools.

8. Do you consider this to be your ideal home?

Yes, does not want to have to move again.

9. Do you have any other thoughts on any of the issues discussed today? No.

Appendix VII Transcripts of Interviews with Valuers in the United Kingdom

The following pages outline the interview transcripts, which were recorded by audiocassette (unless otherwise stated). A total of five interviews were conducted in the UK and are labelled from AV1 to AV5.

The interviews conducted with valuers have been grouped together by country to allow cross-national comparisons. Thus, the interviews conducted in the UK have been numbered one to five, six to ten for those undertaken in Ireland and eleven to fifteen for the Australian interviews. However, the interviews were not conducted in this order, with the actual date and duration of each interviews noted at the beginning of the interview transcripts.

Furthermore, the questions asked by the interviewer are depicted by the letter 'I' and are written in italics, with the responses provided by the valuer depicted by the letter 'R'.

Interview with Anonymous Valuer 1**Date: 30th August, 2000****Duration: 25 minutes**

This interview was not taped at the interviewee's request. The following is based on notes taken during the interview.

I *In relation to the key factors, what do you go looking for in a mortgage valuation?*

R Firstly, the condition of the property is important as most litigation arising from valuation negligence relates to the property's condition. Secondly, the location of the property with adverse effects on the location sought. However, essentially a mortgage valuation is a confirmation of the bid price as agreed by the purchaser and vendor.

I *You ranked buyer behaviour with high importance on the attached questionnaire. What kind of behaviour were you thinking of?*

R Basically, I was referring to trends in supply and demand. For instance, if the market is being driven by demand, and a buyer wants a particular property because of schools and/or other needs, then the price paid may be well above the valuation figure, but because the demand is there, the property achieves the inflated price. Take for example a property in Cyncoed, which is a very desirable area due to the high school. During the last booming period I witnessed queues of potential purchasers at a house, which ended up selling at £60,000 more than the valuation.

I *Do you encounter factors in the valuation process that effect the valuation methods you use, such as premiums?*

R Undoubtedly the incentives and premiums given by builders have an impact on the valuation. I had a meeting with our main lending client regarding this

issue, and managed to clarify that lenders are interested in the net price and properties would have to be devalued accordingly.

I *What market data do you consider?*

R In-house database systems would be the first source for obtaining comparable data. Auction results published by the Estates Gazette are used, as are list prices from the Internet. Obviously the national/local press and property supplements are helpful. We keep cuttings of interest and archive relevant information. We are looking forward to the day that the Land Registry restore house price information to their database as this will provide a very reliable source of transaction data.

I *In particular, what economic data do you monitor?*

R Mainly journals and briefings and reviews by the Bank of England. Other investment markets such as the stock market gives an indication of the prevailing market in general, with property usually being more stable.

I *Does economic sustainability feature in the valuation process?*

R In terms of the valuation itself, I would think a valuation should hold for a period of six months and really once a 12-month period has elapsed another fresh valuation would be required. It depends on the current market conditions.

It is hard to say exactly how economic sustainability features although I think it does. Take for example a purchaser who seeks advice from me with regard to the purchase of a home. If future saleability is their main criteria I would advise them to look for a property that requires a low amount of maintenance, any enhancements to the property will assist in sustaining the price paid, continual upkeep and maintenance must be ensured, and the location of the property is important. A property in a sought after location will increase the future saleability rating of the property.

I *What are the leading indicators capable of warning of changes in the market place?*

R As we discussed earlier the incentives offered by builders can act as indication of what's happening in the market place. Any increase in the incentives offered by builders would indicate a change in the equilibrium of supply and demand.

Rising interest rates have impacts on the market place. Also, following what is happening in the London and south-east region can give an indication as to what might happen in our market here in Cardiff.

Factors like the Welsh Assembly or even a new president in USA can act as a warning in the market place. Such a huge economy in the global market, any global changes can filter down to the local market.

As I said earlier the investors market also has implications. Large institutional companies such as the pension giants, who invest vast sums of money on a daily basis, have impacts on the market. However, these markets are based on sentiment, for example the new web companies that are here today and gone tomorrow so to speak.

Interview with Anonymous Valuer 2**Date: 1st September, 2000****Duration: 20 minutes**

I *What are the main value attributes in a residential valuation?*

R Location is the first, and then property type including specific information regarding the property. Its condition including any remedial works right up to the property's decoration.

I *Do you consider buyer behaviour?*

R Yes, I suppose in the sense of a property's type and its location. It's a façade of a property's desirability to a market segment. Buyer behaviour is contributory with regard to the fashionability of a property or a preference may exist for a more traditional property like those found in Cyncoed which are considered more fashionable than the modern home.

I *What economic data do you consider in the valuation process?*

R Market forces imply that you get a sense of the market which contains economic data. Looking at individual data such as employment growth in a particular area, well we just look for an overall sense of the market. Blanket what we call trends.

I *Are there any property related journals that you keep up-to-date with?*

R Yes. We are the local spokesperson for the RICS and we report on that with regard to sales etc. We give an overview of the market so we are interpreting data all the time. National media is probably more important to keep up with. We also get the estate agent and the valuer on subscriptions.

I *How long should a valuation hold?*

R In the current climate I suppose we look at it as a barometer time of six to eight weeks on the market. If a property has not sold following a full exposure of eight weeks, and there is not a property specific reason why its not selling and the marketing has been undertaken correctly, it is usually the price that is wrong.

I *Do you consider costs-in-use in the valuation process?*

R No not really. The only time that would factor is with apartments with high service charges and this would in effect keep capital values low. Thatch roof homes where replacing roofs is at an enormous cost. With larger Victorian homes there is maintenance and running cost factor but the desirability or fashionability of these houses out weighs the costs-in-use.

I *Do you encounter purchasers with investment or future saleability as their purchasing criteria?*

R Yes, 100 per cent. As I said location is a primary value attribute and within that you would find schooling which is a locational factor for families, the sole motivation in fact, and it becomes the principle point for re-sale, examining catchment areas and assessing ease of re-sale on that basis is very common.

I *Do you ever come across sale on part-exchange deal with builders?*

R 4/5 years ago the part exchange system was developed obviously when the market wasn't doing so good. Purchasers paid top dollar for their new home and got realistically about 95% of the value of their old homes with the benefit of ease of moving homes. Continual development in these areas has meant that selling the homes on the second-hand market is difficult, with buyers preferring the new homes. Second-hand homes say 12 months old had to be discounted heavily, to sell within the market. However, as a development is completed demand rises as the properties mature past the first five years.

There is a large element of pressure on valuers not to deduct the premiums attached to new homes and facilitate business through the confirmation of the bid price. We act for builders in the p/t exchange deals and we give them two values, the 100% value and the forced sale value, that is what your guaranteed to achieve. Usually the price of the new house is inflated to take account of the fact that the builders can then give purchaser's 100% of the value of their old home.

- I** *Do you think there are indicators capable of warning of changes in the market?*
- R** Contact with business professionals', panel of local businessmen, the Bank of England monthly briefings, general economic sea changes, the south-east is always an indicator, a precursor. Lending policies, if they change they can have an effect, lending confidence which leads to price increases as the availability of money increases.

Interview with Anonymous Valuer 3**Date: 12th September, 2000****Duration: 30 minutes**

This interview was not taped at the interviewee's request. The following is based on notes taken during the interview.

I *What factors do you look for when undertaking a mortgage valuation?*

R Firstly, the condition of the property. Its position or location is very important. Other factors such as the accommodation and the property type would also be considered early in the valuation.

I *With regard to buyer behaviour, what sort of behaviour is considered?*

R Basically, demand, and the extent of a particular type of demand in the market place.

I *Do the factors considered by the purchaser to influence the value of property feature in the valuation process?*

R These would be secondary as the purchaser in finding a property conducts a process of attribute trade-off. One house is compared with another and eventually after the process of identifying and trading-off attributes, a purchase decision is made.

So yes the purchaser in the overall decision to purchase has given weight to a number of factors including costs-in-use, but these do not explicitly get attention in the mortgage valuation.

I *What economic information do you monitor or keep up-to-date with?*

R Nationally, we get both the Halifax and Nation-wide house price indices on a quarterly basis. They are useful as backup, but the information can be too

generalised. For example, take Cardiff, which is a small part of the market and it has its own type of market. However, you combine house prices with other parts of Wales and the information gets distorted. Also if publications or press announce that property prices have increased by 6% nationally (Wales) then all homeowners think their property has increased by 6% and this is not accurate at all.

Recently, we started using the Land registry house price indices, which in my opinion are far more reliable.

I *Would you subscribe to the Land Registry for sales transaction information if the service was available?*

R Well it would be a company decision but off-hand I would say in principle yes. I do a lot of work as an expert witness in the courts and as such I need the most reliable information available and if the Land Registry do restore the purchase price I would consider this information partly accurate and reliable.

I *Do you think economic sustainability features in the valuation process?*

R Yes but with low priority as a mortgage valuation is undertaken at a point in time and the future saleability of the property would not be considered highly. However, I am sure the purchaser during the decision making process has considered the issue of sustainability.

I *Do you think there are indicators capable of warning of changes in the market place?*

R To be honest I think being involved and experiencing the market is vital and is a good indicator. Talking to other estate agents and valuation colleagues and generally keeping abreast of the current market situation is important for a valuer.

At a national level I don't think there are indicators as markets are in pockets and it is impossible to predict from national indicators to a local level.

I *Are you ever involved in valuations which are part of an exchange deal with builders?*

R Yes. These valuations are basically realistic valuations in times of low demand, as the builder does not want to be left with a surplus. But this transaction system is only available in certain types of markets. If the market is buoyant and demand is high part-exchange deals do not exist.

I *How do the incentives and premiums you encounter get treated in the valuation?*

R Well most building societies and lending institutions allow a 5% threshold. So basically as long as these incentives do not affect the purchase price more than 5%, they do not get special treatment.

I *Are you normally given the purchase price in the instructions you receive?*

R Yes, in 99% of mortgagee valuations I am given the purchase price.

I *Is there pressure to just confirm the purchase price?*

R Yes there would be "gentle pressure". But as I said if the valuation is within 5% of the price agreed the market value will hold.

I *Do you think that valuers would have to take a different approach if the purchase price was not given?*

R Well it wouldn't be very helpful to lenders, as it would cause delays and problems. If a valuation comes in higher than the price agreed, consultation between the lender and valuer would be necessary and delays would arise.

The lending market is a very aggressive market with “speed and fast service” being the important factor. For the lender securing business is the objective and delays would hinder business.

I *Do you think economies on a global scale should be considered by the valuer?*

R Well yes, but there are probably more pressing markets, more immediate factors that require attention. But yes, for example the new presidency in the USA could have implications due to the size of the US economy globally.

I *Do you find that there is a ripple effect in Britain in that the south-east and London can act as an indicator?*

R Yes we do experience a ripple effect and what happens in the south-east could be an indicator of things to come further north.

Interview with Anonymous Valuer 4

Date: 18th October, 2000

Duration: 40 minutes

I *What are the main factors in a residential mortgage valuation?*

R The two most important factors are firstly, the condition of the property and whether we would be willing to advise lending on the security. Secondly, and probably more importantly with regard to the main factor affecting capital values, is the property's location. The neighbourhood is also very important, for example areas that might be very desirable for schooling etc. such as Cyncoed.

I *How do you consider buyer behaviour in the valuation process?*

R Buyers react differently to properties in certain locations and as a result buyer behaviour overlaps with location. Certain areas are more popular than others and in some cases you can go 10 yards down the road and property values half. Valuation is knowing your own "patch". In our organisation there are five valuers and we split the work geographically. Knowing the different market segments within these designated area and knowing what buyers want in the various segments is important when valuing residential property is concerned.

I *Where do you get the market data you use?*

R We have our own in-house database system, called Quest. The search facilities are good in that we can retrieve information using various fields such as postcode or property type, etc. We do approximately 6/7,000 mortgage valuations per year and find that the system is reliable. We do not do the homebuyers' report or the structural survey basically due to the cost in time. They are lengthy and time consuming and "time is money". As a consequence our system is compiled from actual sales records only. There are five of us in the valuation department and our department is one of the biggest profit making sections in our organisation.

I *There is talk of the Land Registry restoring house price information to its database, would you use it as a source for market data?*

R Certainly yes but it wouldn't be relied on as heavily as our own in-house system. As I said with 7,000 sales a year in the database system, for Wales it is pretty accurate. If a difficult valuation arises we get indirect access to other valuers information, after awhile in the business you tend to get known other professionals. If for example I needed information from a colleague who has also got the Quest system then I would get a print out of their data set.

I *Are there any other source(s) of market information that you use?*

R Yes, we have subscriptions to Chartered Surveyor Monthly, Estates Gazette and the Nation-wide/Halifax House Price Indexes (HPI's). Our manager is suppose to distribute relevant information to us from these magazines and any other special reports in say the newspapers.

We do use the HPI's but they are not infallible. One set of figures is presented on a monthly basis with the other presented quarterly, which does cause confusion and discrepancies between the two. However, the annual HPI's are more useful as an overview of what's happened in the market place over the last year in various locations and these trends would be taken in to account.

I *Are there indicators capable of warning of changes in the market place?*

R Well a change in the lending rate is the main indicator but for instance environmental factors can have an impact on occasion. But all these factors are long-term factors, which you keep your eye on but nothing happens overnight. Interest rates do not double overnight nor would government policy have such gigantic consequences.

Contact with other agents is very important. There is a trend nowadays with some of the lending institutions that valuers work from home and do not necessarily come into the place of work. Communication is done through

computers etc. This in effect makes the valuer very cut-off from what's happening in the market. In our organisation the valuers are required to try and come to the office between 9am to 11am to do paper work, arrange valuations and keep up-to-date with the valuation team. Any problems or difficulties experienced by a valuer can usually be ironed out through this daily contact. Local and national presses also give an indication as to what's happening at a local level.

I *Do you think economic sustainability features in the valuation process?*

R No not really. As I said any reactions to government policy or changes do not happen overnight and as such the sustainability of a home would not be effected or warrant attention in the valuation.

I *Would you consider the future saleability of a property?*

R Indirectly this gets considered under location. In a situation where a valuation figure does not agree with the purchase price due to a problem location such as the Penrhos Estate, this will be put in the report and the lender will be made aware of the points noted. However, normally we will still run with the purchase price.

I *Do you always know the transaction price before undertaking the valuation?*

R Yes, which makes the job a lot easier.

I *How long should a valuation hold good for?*

R The rule in our organisation is six months, and a day over the six months requires a fresh valuation.

I *Do valuation methods change in different market conditions?*

R The valuation methods themselves, no. As a valuer in service for a number of years we tend to take a lot for granted. And market information does not get analysed in isolation as its not so black and white. As a valuation department we see each other every day and any problems are discussed. We keep up-to-date on relevant market information through discussion etc. However, in-house valuers finish work at 3 p.m. and do not have to actively take part in the market compared with estate agent/valuers who gain their market information through participation in the market place.

I *What economic data do you monitor?*

R Interest rates set by Central Bank, lenders rates with monthly changes noted, building costs and house price indices.

I *Do you think that economic data should be monitored on a global scale?*

R No, the information I consider is more locally and nationally, Wales basically.

I *Do you think booms and busts in other international markets can act as an indicator?*

R No, I honestly don't think it has an effect. Journals give information regarding other markets and regarding the effect of technology on our industry, but it hasn't effected our day-to-day work.

I *Do you think technology is having an impact on the way we live? Or on what buyers want?*

R No, not at the moment. However, energy efficiency is something that crops up all the time. 15 years ago valuation forms included questions relating to the energy efficiency of the property but this has died a death. Although it crops up time and time again it has not being reinstated on the valuation forms. "Time is money" and basically it would take up too much of the valuers time. Its costly and would get added on to the purchase price.

I *Do costs-in-use feature in the valuation process?*

R No, only with new homes possibly where we would always explicitly say what guarantees cover the property so that if anything goes wrong its straight back to the builder. New homes would be considered low maintenance homes for at least ten years.

I *Discussion with homeowners would indicate that the investment qualities of their home featured highly during the purchase decision. Does this get considered in the valuation?*

R Apart from choosing the right location, I don't think homeowners go further than that in their consideration of investment determinants. Although they may consider some capital appreciation over time, it's really a bonus factor. I certainly don't think it takes precedence over the property serving as a home and the other motivational reasons for buying the house.

I *How do you treat the incentives or premiums encountered in the new homes market?*

R It tends to be a bit of a grey area as when you ask builders if there are any incentives, a lot of the time they will blatantly lie and say no. If you accept that there are no incentives and the property is to be resold in the next six months or in fact before the development is completed, achieving the price at resale would be difficult. But again if its within 10% the price agreed will hold.

If premiums are found, say through the solicitor's search on title, then these would be discounted.

I *What do you think of having to undertake mortgage valuations without transaction price information?*

- R** It would be better. It would lend itself to more contact with immediate professionals, as discussing valuation figures would be necessary rather than just confirming price. It would slow the process down which is costly and hence the reason for it never happening. Speed is the essence in mortgage valuation, get the application in, as it is such a competitive market.

Interview with Anonymous Valuer 5**Date: 25th November, 2000****Duration: 45 minutes**

I *What are the key factors influencing value?*

R The property itself obviously, the condition of the property, supply and demand. Also, the general neighbourhood, they call it “curb appeal”. And then the comparable sales basically.

I *What do you mean by supply and demand?*

R Its examining the type of property available on the market, the amount of property, and the number of people in the marketplace wanting that type of property. Effectively, if you have one property in a nice area and you have ten potential buyers well obviously its going to affect the value. On the same note if you have ten properties in an area with only one buyer well then that will suppress the value. Basically, assessing supply and demand of the actual properties that are available.

I *How many comparable sales would you use?*

R We have to use three comparables on each valuation. We use three comparables and more if we have them.

I *And where do you get this market data?*

R I use an index system, which you can see here. For instance if I need to go into a particular area I have my sales and the surveys (valuation work) carried out in that area and I use it and up-date basically as obviously I try to use the most recent and current information. However, even the historic comparables are useful as they can give an indication of trends etc.

I *Do you use any other market information?*

R Yes, we are part of “Team” which is basically a multi-listing service. We have access to the other team members’ database and their historic information both locally and nationally. It wouldn’t lend itself to comparable evidence as there is no real need for that but it is very useful if someone were moving out of the area, we could provide clients with details of properties for sale in other parts of the country. It’s more appropriate for sales rather than valuation purposes, although its still valid. But certainly if we wish to use the information from another team members its very useful. Particularly in the Cardiff area, say Rhiwbina, well there is an agent in Rhiwbina so I can use his information and that covers the comparable evidence I need in the local area straight away.

I *Do you find a network of contacts is important in the work you do?*

R Absolutely, that is basically what the Team Group is, it’s a multi-listing system and that is all it is. It’s an American idea as I am sure you are aware, everybody has got everyone else’s properties and information. It is quiet refined however as it is up-dated every night, which is very good as it is current information which is transported overnight to all the Team members. And we are refining the system as well adding questions and input into the database relating to how much mortgages people are getting, where they are getting the mortgages from etc. So we use the system quite often as well as comparable information form other agents (surveyors) outside the Team group but whom I know through practising in the Cardiff region.

I *What economic information do you take into account when undertaking a mortgage valuation?*

R Well I tend to concentrate on the micro rather than the macro. Whilst it is important to know what’s happening in Newcastle, it need not necessarily impact on the Cardiff market, although there is this “ripple effect” etc. Generally, it’s micro rather than macro that counts in the situation I examine. I look at government policy, general economic trends which all impacts at the end of the day. Any proposals or bills relating to housing, budgets, stamp duty

levels, all that sort of thing does have an impact as indeed does the general economy, because obviously as interest rates go up its starts and eventually it will effect the local market.

I *Are there indicators capable of warning of changes in the marketplace?*

R Yes, absolutely, at the end of the day the market is government controlled but any changes take a while to filter through, does not happen overnight such as interest rates. At this moment in time interest rates are not paramount importance in the home-buying sector.

I *Does economic sustainability feature in the valuation process that you adopt?*

R Yes indeed. But we don't use a crystal ball. We look at trends which are important. In particular, when the market has peaked, and is stabilising and falling, then obviously there is a risk of getting caught in the vacuum if you like, where you're buying a house thinking its worth £120,000 and a bit like the stock market, by the time the transaction has completed it may be worth £110,000 and its too late as the deal is done. There are those critical periods of peaks and troughs. On the other hand when the market has bottomed out and you see things starting to improve well then the opposite will happen and that needs to be considered as well.

I *How long do you think a valuation should hold?*

R Personally, I would be saying three months. I think after that it may become stale and the valuation would need to be revised. Three months would probably be the most that I would be comfortable with and less than that in certain circumstances, depending on the prevailing market conditions.

I *Interviews with homeowners revealed that residential consumers consider the investment qualities of their homes as an important factor in determining value. Does this get considered in a mortgage valuation?*

R Well yes, buying property, any kind of property is an investment and homeowners would consider this but it would not get considered in a mortgage valuation. It comes into the general value of the property and is something the buyer considers.

I *Another factor mentioned by homeowners was costs-in-use. Do costs-in-use feature in a mortgage valuation?*

R What I tend to feel is that if someone buys a modern house, which has been constructed to a standard quality and is covered by building regulations and the NHBC guarantee then the homeowner will get a house which would be considered low maintenance. But take an old Victorian house with ceilings, which are 16' feet high then they can expect high up-keep and maintenance of the house will be so much more than the new equivalent. But the person purchasing the property is doing so with the knowledge of likely running costs and any thing that needs work such as the stone work or new electric's etc. If these are then renovated to a sufficient standard they will add to the value of the property.

I *Do you ever encounter financial incentives or premiums?*

R No not really. But certainly in the valuation work I do, I would encounter incentives, particularly in the valleys where sellers (agents/builders) pay the five per cent deposit required for a mortgage and this would have to be disregarded. I would deduct the five per cent and that's the value of the property as I see it. Similarly the corollary of that is the new homes market where people tend to disregard the fixtures and fittings. I wouldn't as these are all part of the package anyway. And indeed this early bird type of thing doesn't excite me at all, as the value is the value. And even though the purchaser may get five per cent knocked off, the value is what they are paying for it and not the discounted price. And its nothing to do with generosity, its because they can't sell them anyway.

I *Have you carried out a mortgage valuation which is part of a part-exchange deal with a builder?*

R The part-exchange is a little bit different, in that builders tend to offset the difference either with the old or the new house just like a car deal. There is only one winner and that's the builder as the discount or value for money that the purchaser thinks he is receiving is offset along the way somewhere. But if I do a valuation of a new home, which has been part-exchanged, I don't want to know about the deal or what has come of the original house. I am only interested in what they have paid for the new house and the comparables available to support my valuation and what others have sold for on the estate. So in terms of the deal between the purchaser and the builder it doesn't interest me as the mortgage valuer.

I *When you undertake a mortgage valuation do you know the transaction price?*

R Yes and I would make a point of asking for it as any small print relating to the property I need to know about it.

I *Do you ever encounter pressure from lenders to value to the transaction price?*

R Oh definitely. There is always pressure from lenders to value to the bid price, it goes without saying.

I *If you have to deduct premiums or incentives how do you approach this in light of lender pressure?*

R Well really lenders don't want to know which can effect our professional indemnity. It is up to the valuer to verify the comparables used, and I always make sure that any information I use is support in writing so if I get information from another professional I will ask them to send on the information. However, its not good practice to under value a property and ultimately affect a sale by another professional as I wouldn't want someone upsetting one of my sales. But if there is something obviously wrong and it

becomes apparent during a valuation I would have to disclose the information.

The future of valuation is desktop valuations. Lenders will look at the lending ratios, and those with the right ratio will go ahead and there will be no need for valuations. Currently, you have large lenders trying to buy data such as the Team database, which as I said is up-dated everyday. "Lenders have turned the surveying profession on its head over the last twenty years". They have cleverly excluded the estate agency and panelling of valuers is coming to an end with in-house homebuyers' reports taking over.

Today the small surveyor is a risk for insurance companies. Team Surveyors Company Limited comprise 100 surveyors linked to 500 estate agency businesses. It is a group of independent surveyors who agree to abide by a code of conduct (ISO 9000) but gives us the opportunity to remain independent but pool our data, information and resources thus resisting the large lenders bid to buy our data.

Appendix VIII Transcripts of Interviews with Valuers in Ireland

The following pages outline the interview transcripts, which were recorded by audiocassette (unless otherwise stated). A total of five interviews were conducted in Ireland and are labelled AV6 to AV10.

Interview with valuer 6**Date: 4th September, 2000****Duration: 40 minutes**

I *What are the main factors which influence the value of residential property?*

R Well location would be the first very important factor after which you go back to property specific factors. These would include the structure and the structural condition of the property the amenities and the environment in which it is situated.

I *Do you consider buyer behaviour in the valuation process?*

R Yes absolutely, it plays a part. Buyer behaviour does feature in the valuation process but I would probably put it under the umbrella of locational factors, assessing what type of demand is likely for a particular property.

I *How long do you think a valuation should hold good?*

R In the current market conditions it would be for a shorter period, I would say a maximum of six months at the moment due to the rapidly changing market. Really it's a point in time valuation.

I *What economic data do you consider?*

R Mainly trends in employment industry, banking policies for lending, and wage level increases and that type of thing.

I *Does economic sustainability feature in the valuation process?*

R It does certainly but its trying to judge and quantify and account for it. Its nearly down to a view on a daily basis, examining interest rates, watching the

fluctuation in trends and trying to interpret what this means and the consequences on the property market at a particular point in time.

I *Do you encounter homebuyers with future saleability as their motivation for their purchasing decision?*

R I would think it is an unconscious decision that is built in to every buyer's decision processes, certainly the majority of buyers would look at the value of a particular property in five years time. Nobody buys a property and thinks that it will be worth same value in five years. Especially those who can barely afford the repayments may decide the struggle is worth it when the long-term increased value of the property is considered.

I *Do you know the bid price when undertaking a residential mortgage?*

R No not always and we tend not to ask unless we are told, probably the best way to approach it. Some institutions give you all the property and contact details including the purchase price.

I *Do you think the policy of lenders giving valuers the purchase price can effect the way the valuer uses market and economic data?*

R It can tend to, that's probably one of the reasons why residential valuations can cause problems and induce a cautious attitude from some valuation firms. "You have to be very careful in those type of valuations", as the emphasis behind the valuation from the lender's point of view is to get the deal done, "lets get finance in place", yet usually the buck stops with the valuer.

The valuer tries to take a detached look at the market and examine whether the property is really worth the bid price. Back to the valuer's experience of the market. This should be what influences valuer's, their personal knowledge of the market place and the comparable information available. You know the figure is there, the pressure is there and you may be tempted to just confirm

the price agreed. There is pressure from lenders to value to the bid price and not change the price agreed if the valuation is within the 5% threshold.

I *Do you think phenomenal house price rises, like that witnessed in Cork over the last eighteen months, effect valuation methods?*

R It makes valuation methods very tricky, and you have to keep your information very up-to-date in particular on market transactions. We try and write down the comparative evidence on the file at a particular date and when the transaction actually occurred. However, a particular transaction in isolation may not suffice as comparable information especially if the property has specific attributes or you've had two people competitively bidding against each other. Certainly, it makes mortgage valuations very tricky.

I *Do costs-in-use feature in the valuation process?*

R We would usually cover that under the property description, in that the property might be a modern building, with a modern construction covered by a homebuyers guarantee etc. A lot of institutions will have a specific question on whether the property is covered by the homebuyers guarantee scheme or a builders guarantee scheme. A period property such as a Georgian would have to be looked at more closely. Where there is a periodic or annual or on-going maintenance cost a comment would be included under a general heading and this is highlighted to the lender but it would be outside our expertise to actually put figures to the related costs. It is up to the lender as to whether they want to investigate the maintenance issue further.

I *Do you think that the current boom in the economy is based on a sound economic base, compared to the last boom/slump in the market experienced by Ireland?*

R Absolutely. This economic boom has been very slow to take hold and we are told that it is on good foundations. The only worry now is inflation. But certainly salaries have gone up and Ireland itself is booming with a lot of

industries setting up in Ireland due to the good economic culture, all the indications are positive. Interest rates have gone up again recently, but it is appearing that people can cope with it so far because salaries are so much stronger.

I *From what I can gather the increase in stamp duty charges is aimed at curbing the residential investor from entering the market. What do you think of the measures being introduced?*

R It's two-fold. There is stamp duty on investment property and new residential schemes such as apartments. If you have more than one residential property (for investment purposes) you have to pay 9% stamp duty and 2% tax p.a. for three years. Its aimed at assisting FTB making it more difficult for investors to remove FTB from the market, we had a situation of investors coming in and buying 50% and more of a property development.

I don't necessarily agree with the argument that the cost will ultimately be put on to the rental market as these measures have to be a step in the right direction for FTB's who were being forced out of the market. Bacon was given a hard job to do. Effectively for FTB it is now 9% cheaper for them to buy property and some would say rental levels are low compared with other European countries. The culture in Ireland is geared towards owning your own property anyway

I *Do you keep records of the information you monitor?*

R We have subscriptions to most of the CSO publication's such as the economic quarterly and bulletins, county councils/corporation just for trends on employment levels, construction trends, construction federation on cost levels, the RICS publications, CSO gives up-to-date specific information on demographics and areas of growth. The IDA provides information on employment and new industries. A lot of the time you have to ask for the information as its not included in any one publication. All the information we

use is kept and filed so even its not used on one particular job it's there for another. We employ someone to keep our information up-to-date.

I *Do you think there are indicators capable of warning of changes in the market place?*

R Back to interest rates and what the Central Bank are doing. Bank forecasters I suppose is what we listen to. Jim Power the economist for the Bank of Ireland said over the weekend that house prices in Ireland are going to go up over the next three/four years by 600%, very surprising statement to make. (He is presenting at the IAVI AGM tonight and he is a very good speaker. You should follow his work).

I *Do you think valuers should be given the bid price?*

R It can depend on the thinking behind the valuer and the organisation in which he works or whether you're affiliated to someone. 70% of our work is valuation, and most financial institutions at the end of the day want to know if they are going to be able to sell the property on if the owner runs in to difficulty with repayments. This has a huge influence on transactions, and banks wanted to use people that will say what they think and not give bad advice.

However, residential valuations would definitely benefit from a more explicit valuation and it's the lenders that are at fault as they issue the valuation forms, which are normally a one-page document. Furthermore, the lender pays for the work up front and then accepts work that is basically a confirmation of price and not a real valuation with purchasers as result running the risk of negative equity etc if interest rates go up etc. People are very ignorant of the system as they only do these transactions maybe two, three times in their lives whereas we're dealing with it everyday. For valuers who go against the price paid they run the risk of not getting the business from the lender and then of course there is the added pressure from the purchasers who have possibly incurred costs, there's pressure from all sides.

Interview with valuer 7**Date: 6th September, 2000****Duration: 30 minutes**

This interview was not taped at the interviewee's request. The following is based on notes taken during the interview.

I *When undertaking a mortgage valuation what are the key attributes you look for?*

R Well that's a difficult question as very often the valuer is under pressure from the lender to facilitate business. In essence very often a mortgage valuation really just confirms the bid price, as agreed by the purchaser and seller. Furthermore, the lenders attitude is basically that they don't want to know the details just confirm the price.

Pressure is also put on the purchaser, in that if a valuation comes in below the price agreed, the lender will advise the purchaser to find a valuer who will value to the agreed price. The difference could be as much as £30,000. In terms of the key factors for a mortgage valuation, the lender provides the valuation form, and basically that's what we look for in each valuation.

I *Do you consider buyer behaviour in mortgage valuations?*

R Very often I would not meet the actual purchaser to a transaction. But in general if a property is valued the likely purchaser would be identified. In the main this is done through life cycle stage. For example a FTB is normally dictated by price, and in terms of Cork, they will most likely locate outside the city in a commutable distance. Having to commute to a 3-bed property is adequate for their stage in life. However, as these homeowner's become second-time buyers they may sacrifice privacy for convenience, and will locate near schools and more family orientated conveniences.

I *Do you consider economic sustainability?*

R It totally depends on the current market conditions. In the 1980's in effect there was no capital appreciation and a valuation would hold for a longer period of time. In the last four to five years prices have been driven by a shortage in the market and there was an aspect of panic in the market place. This effected property prices with a resultant increase in residential prices. Over the last 3 years I would estimate that residential property prices have doubled.

However, in terms of the valuation I have witnessed prices changing on a monthly basis particularly over the last 3 years in the current rising market conditions.

I *What are the leading indicators capable of warning of changes in the market place?*

R Interest rates, rate of inflation, certainly the equity market, and sometimes changes in other countries can have an effect. Although during the last boom period in the UK there was no effect in Ireland. Also, current conditions in other European countries are difficult, so it's a bit difficult to generalise here. But should something effect the US stock markets certainly investors here would take account of the warning.

I *Do valuation methods vary according to market conditions?*

R Definitely. Certainly the economic situation at the time of valuation is considered. It depends really on capital appreciation. In times where capital appreciation is significant a valuation may only hold for 3 months.

I *Do you have any subscriptions to newspaper or property journals?*

R No not really. To be honest a lot of the reports and reviews published such as the IP quarterly contain historical information for the valuer. This is particularly evident in the current climate where we have a rising market. On

many occasions the house price indices are wrong, and even though they are compiled regionally, the figures do not relate to what's happening in the market. Certainly, the last quarterly publication by the IP reflected property prices rising in Cork at a rate, which I as a practising valuer disagree with.

I *Are there implications on the valuation methods you use in such market conditions?*

R From a consumer's point of view many think that the market has peaked and I disagree with this. Investor's have backed off as a result of the hike in stamp duty. The 9% levy is having huge consequences, with stock and equity markets appearing much more attractive (ease of sale, cash readily available). Personally, I have always considered property a long-term investment and it'll remain so. And anyone considering residential property as a long-term investment is still getting a good deal with banks giving fixed interest mortgages secured for five years.

The young people's attitudes towards property investments has changed considerably since my day. FTB's are taking on mortgages of up to £120,000 and more. This may be because they have not experienced recession periods and do not realise fully the consequences of such huge mortgages if interest rates were to go up and the country took a different direction.

I *Do you know the bid price when undertaking a mortgage valuation?*

R Not always. My valuations are by comparison regardless.

Interview with valuer 8**Date: 8th September, 2000****Duration: 40 minutes**

This interview was not taped at the interviewee's request. The following is based on notes taken during the interview.

I *Do you undertake mortgage valuations for the main mortgage lenders?*

R Yes except for one lender I do mortgage and re-mortgage valuations for all the main mortgage lenders including brokers. Here's a copy of the instructions for a re-mortgage, which as you can see includes the estimated value. This estimation is provided by the owner and gets considered but my own valuation does not necessarily value to this estimation.

I *What about a mortgage valuation, do you know the transaction price?*

R Yes, normally the purchase price is included on the instruction sheet, here's a copy of one, as you can see the purchase price is given. This is the OMV, and as such the valuation confirms this price. On a valuation report form there are three categories for the overall inspection including good, satisfactory and fair. If a fair rating is applicable the lender will contact me for further consultation and if its maintained the applicant will be refused a mortgage. A fair rating might result from a bad location or poor condition.

Normally, I would give a satisfactory rating and the transaction value would be maintained. A good rating would be a house in a very good location such as Rochestown or a very good quality home.

I *Is there pressure on you to value to the purchase price?*

R Sometimes, yes. There is an element of facilitating business for both the lender and the purchaser but to be honest I get paid for the valuation regardless. It is my opinion and if I get it wrong it will come back to me. If after consultation

with the lender regarding a “fair” assessment and I stick by the valuation it is down to the lending institution to seek a second opinion or up hold my valuation.

I *Does economic sustainability feature in the valuation process?*

R Yes, without a doubt I think that every purchaser considers whether they will be able to sell the house in the future. But it can depend on what a hat I’m wearing, an auctioneer’s or a valuer’s. When trying to sell the value is increased whereas if I’m acting for a lender a more conservative approach is taken.

I *With regard to residential property, what attributes do you think are important?*

R Location, location and location. The standard of construction and decoration, the overall condition of the property, maintenance factors and the general neighbourhood. These would all be very important attributes.

I *When you say maintenance costs, do you mean costs-in-use?*

R No, not really. Cost-in-use would feature in large manor type properties where a regular outlay for maintenance is required, then certainly a note of this expenditure would be made and the lender informed. On the other hand new properties require no maintenance for say a ten-year period, this would be a selling point. With regard to valuations in general deductions and additions for maintenance qualities would not be made.

I *Do you consider buyer behaviour?*

R What I understand to mean for buyer behaviour is related to supply and demand. Currently, demand is outweighing supply and price is the main factor effected. For a buyer the pertinent consideration is affordability with actual location and condition secondary to this. Once an affordable property has been

identified then the condition and location can be considered, although purchasers will probably have identified preferable locations (where they can afford to buy). I think distance to work is not important as most people today are prepared to commute some distance to their place of employment.

I *What market data do you use?*

R Market information is everywhere. Basically, being out and about in the area is important. Obtaining comparable information is vital and is something I am always updating, getting other agents particulars and talking to colleagues. In particular, in unfamiliar areas, if I see a for sale sign I will approach the agent for information, even if I don't need the information at the time, it'll be recorded.

The national press and property supplements are a good source of information. Also colleagues in the field. Again being out and about, talking to people and basically "living" the job.

I *What kind of economic information do you monitor?*

R I think knowledge of the local area is the most important. If you know what's going on in local industry and you keep up-to-date with trends in employment, these are both very important. But take the market situation in Dublin, it bears no relevance to the rest of the country, two totally different markets with hugely different demographics

I *Do you think there are indicators capable of warning of changes in the market place?*

R Well of course there is interest rates and the rate of inflation. National press and relevant articles from people in business are good. Take for example a recent article entitled "cooling of the market", which was written by a local practising valuer. This kind of article is very relevant to what's actually going on in the market place.

Government policies and taxes such as the recent increase in stamp duty to 9% is bound to be an indicator. In the last two months the investment market in residential property hasn't just "cooled", its died. It'll be taken up with the government again as its having crippling effects. But this alone needs to be watched as it's having enormous consequences.

I *Do valuation methods change in various markets conditions, such as the rising market prevailing in Ireland?*

R It very much comes down to being conservative in your value estimates. Valuations are an opinion of value at a particular point in time. With a conservative attitude a reliable valuation can be achieved. But valuers literally adding a percentage to values to account for rising markets is inaccurate. As long as a comparative valuation has been undertaken with a conservative attitude as the valuation is destined for the lender a sound valuation will be achieved

I *How important is the information gained from other professionals?*

R A network of contacts is important but to be honest I am the valuer, and I am the one out there. One can not solely rely on contacts. Awareness is the key never mind the actual transactions. Keeping up-to-date, reading the relevant press and taking account of the quarterly house price indices is important in contributing towards the valuers' knowledge.

The professional bodies require that we work within a 20-mile radius, outside of this questions will be asked. A valuer can value outside the 20-mile radius but sound comparable evidence will be needed to support the valuation. Lenders require that the most appropriate person do the valuation and there maybe somebody more local (appropriate).

I *Do you use database of housing transactions to obtain your comparable sales information?*

R I use an in-house database of transactions. I think a national database would help but I wouldn't rely on it as heavily as our own in-house system.

Interview with valuer 9**Date: 8th September, 2000****Duration: 30 minutes**

I *What do you think are the key factors in a mortgage valuation?*

R Obviously location, location, location. The size of the property including accommodation, gardens, maintenance.

I *Do you consider costs-in-use?*

R Yes, as some people may not want a large garden, or with the older houses heating costs etc. would factor.

I *Do you consider buyer behaviour?*

R Well we are dealing with so many buyers that one gets a feel for what buyers want. I may value a house but if its location is wrong in terms of what buyers want the valuation figure will reflect this.

I *What kind of economic data do you monitor?*

R Just reading the papers, keeping an eye on the internet. The press is probably the main source of economic data.

I *Do you consider economic sustainability in the valuation process?*

R Yes indeed. But the day you buy it is the day you sell. Anyone looking to buy a house should look down the road at its future saleability and whether it will sell in a forced situation. That would be one of the main things I look at.

I *Do you know the transaction price when you do a mortgage valuation?*

R Yes, but I don't think that is the right way of doing it. I think you should have to do the valuation before knowing the transaction price because if I don't come up to the price agreed people ask questions. It should be up to the valuer to put down what he thinks or feels is the correct value. I have done that in the past and it causes problems. When people pay over the odds there's huge controversy. With one particular sale that I had where I thought the purchase price was about £20,000 too much and I put it down on the report, when the lender came back to me I was told that the market value was the correct value.

I *Did they get a second opinion?*

R Yes and I felt a bit under pressure. Lenders in Head Office in Dublin, regard it as a lot of fuss over a little cottage but I am the valuer so I have to stick by my opinion at a particular point in time.

I *Do you think there are indicators capable of warning of changes in the market place?*

R Certainly a jump in interest rates would have an adverse effect on the market. The stamp duty level which has just gone up can control the price of property, a low rate bringing people in to the market and the current rate penalising investors. Rental levels have doubled and the Bacon measures appear to me to be removed from the market place and out of touch bearing no relation to what is needed in the market place. However, with regard to the stamp duty levels really I think investors will have no difficulty earning the money back over a number of years.

I *Do valuation methods vary in rising markets?*

R Valuation is difficult in rapidly rising markets, as I will have my own preconception of the value of a particular property. However, in rising markets, prices go up so quickly that although the comparative evidence might indicate the property is worth a certain amount, buyers under such severe

competitive pressure throw the price of property up quite drastically, which makes mortgage valuation difficult.

I *How do buyers react to this?*

R Many purchasers are being priced out of the market and its all a matter of supply and demand. Over the next year we should see more in the supply-side in that there are 5 or 6 thousand houses being built in Cork at the moment.

I *Do you encounter financial incentives or premiums with new houses?*

R Yes, sometimes but I think of them as gimmicks added onto the price of a house.

I *But if the owner thinks he is getting a house worth a certain amount and you as the valuer know that there are gimmicks attached but due to pressure from lenders, do you still value to the purchase price?*

R Yes.

Interview with valuer 10**Date: 9th September, 2000****Duration: 1 hour**

I *What are the main factors in a residential mortgage valuation?*

R Well I am usually given the purchase price and I am really going out to confirm the price agreed or give my own valuation.

In terms of the attributes considered location is number one and accommodation is number two. This includes whether it's a terrace or a semi-detached or detached. The style of the house, and its condition and the actual accommodation in terms of numbers of room's etc also come under that. These would be the main things considered.

I *Do you consider buyer behaviour in the valuation of residential property?*

R Yes, in general the market situation is assessed in terms of whether you're looking at FTB's or a large family home. However it is not the valuers that set the price of property, it's actual market participants. It is the general public that creates the demand and what they are willing to pay and what the vendor will accept is the value. Property prices have gone through the roof over the last year or so in Ireland and its buyers outbidding each other, the availability of money, and low interest rates that have caused the current market conditions. This has got nothing to do with undertaking a mortgage valuation.

I *In that type of market where there is a lot of demand and property prices are rising, do the valuation methods you use change?*

R No. I do two types of mortgage valuations. One is where a person is buying a home, which has been offered for sale on the open market and is achieving a certain figure. Presuming that it has been offered for sale by a reputable firm of estate agents in and around the Cork area, the property has been advertised

and shown to potential purchasers then the price that it is achieving is the current market value. What it achieves on the open market is its truest value.

The other type of mortgage valuation that I might do is for people who are trying to raise a mortgage against their home to carry out say, an extension. Re-mortgaging is very common. The property is valued, the costs of the home improvements are calculated. I will then do a current market value, cost of repairs and value in repair. There will be three valuations. Initially a home valued at £100,000 with home improvements of say, £20,000 may have a value in repair of £110,000. No matter how good the standard of improvements are the homeowner will not get his money back straight away but over time it may appreciate.

I *The valuations you do are for a lending institution?*

R Yes, but it is the applicant who pays my fee.

I *Is your responsibility to the applicant or the lender?*

R No, I see myself as an independent person with responsibility to neither. I try to give a fair reasonable and accurate current market value. At the same time I would not want to split hairs, if a property got a very good price I would run with the price agreed. If say for example an applicant is looking for a 90% loan and you up-scattle their loan for the sake of £5,000 this may result in them not being able to afford the house. Problems can arise from splitting hairs and it is only in extreme circumstances that I will say things don't look right but normally if it is within 5% I would run with the price paid.

I *Do you think that lending institutions put pressure on valuers to value to the bid price?*

R No, I do that because I know the situation and the system. If I get a pernicky, awkward, difficult valuer querying a valuation for the sake of £5,000 I would be very annoyed. On the same token, I would not want to do that to a

colleague. Now if there are circumstances which appear erroneous such as a bid price of £140,000 and my valuation is £125,000 then I would need to exercise caution and look for more information.

I *Would you look to you colleagues in the field for this information?*

R Exactly, if it looks like the applicant is pulling a stroke such as paying £125,000 and trying to raise the deposit as well by inflating the valuation then I would query the loan.

I *Do you think future saleability features in the valuation process?*

R No, I do think as a valuer you would ever take that into consideration. Everything is based on today, valuations are a “point in time exercise”. It is up to the purchaser buying with the full knowledge that he may have to sell in the future to assess this factor. If the bottom falls out of the market and property values go down that’s not the valuer’s fault. I can advise on the locality and one thing and another, or if there is an estate of corporation houses being built next door, or something like that. If there is an influencing factor and I am aware of it I would disclose this information.

I *On another note do you think that there are indicators capable of warning of changes in the market place?*

R If you are conducting business in a country, reading the relevant daily press is of paramount importance especially, if assessing the general economic situation is required. However, there are a lot of people predicting a crash or a downturn in the market, similar to that, which occurred in England. And then there are a lot of people saying, no there is not going to be a crash. Personally, I think the economic indicators for Ireland are very good and a crash is not going to happen.

I *What economic data do you monitor?*

R My everyday knowledge of reading the newspapers, listening to political commentators, business commentators and reading business reviews.

I *Do you have subscriptions to property related journals?*

R Yes, I subscribe to the property valuer but I think that reading The Irish Times on a daily basis is enough if keeping abreast of the current market situation in Ireland is your aim. Also, seminars are a good source of information. Banks such as the Irish Life group ran a seminar last week on investing money etc. which I attended and found useful in terms of keeping up-to-date.

I *Do costs-in-use such as maintenance feature in the valuation process?*

R Those kinds of things are reflected in the selling price. House prices include a number of factors like heating and construction type etc. but these factors are used in determining price and not in a mortgage valuation. The purchaser in buying the house should have had regard for all these things.

I *Would your valuation methods change if you were not given transaction price information?*

R Of course it would. As an estate agent if a vendor is considering selling his property in doing a valuation I will consider all the factors from location down through the nitty-gritty factors that influence property values. The property is then advertised and the general public tells you what it is worth through how much is paid for the property. There are a lot of people in the market place. If a property is marketed for a number of weeks, the best offer is then taken to the vendor for consideration. I will obviously advise the vendor as to whether I think the offer should be accepted, depending on the current market conditions.

The mortgage valuer comes in after all the work is done. If the price agreed is the established market value then who are we to argue with it? The truest market value for a house is when it has been probably marketed, offered on the

open market and advertised adequately then the mortgage valuer has an easy job to do.

- I** *Do you think mortgage valuations would benefit from omitting transaction price data?*
- R** Possibly, as you would be putting valuers to the “pin of their collar” as they would have to scrutinise the market in a better way. But at the same time, variances between individual valuers would increase and nobody gets it better than the open market.
- I** *An allowable threshold for variance among professional valuers is 5%. Lenders pressurise valuers into not “touching the valuation figure” if it’s within 5% of the purchase price. If a valuer went into the market place and conducted a valuation without transaction information, the valuation would have to be more explicit with comparative information explained and justified and the valuer has not gone out to merely confirm the sale price. As long as your valuation is within the allowable range it could be left up to the lender to decide whether to go with the purchase price or query the valuation and not place this decision in the hands of the valuer.*
- R** Absolutely, one area where there have been discrepancies over the last year is the new homes market where builders set the price. The huge boom witnessed over the last year is probably due to a number of factors including the increase in the availability of money, a technology boom, increase in salaries and the desire by FTB’s to purchase new build. Ireland is also experiencing a significant immigration trend. These factors have lead to the increased demand for new housing.

Builders release a number of houses on a new estate and they are snapped up, with the next lot of houses released being increased in price by say as much as £5,000. This upward spiral continues as the houses sell like “hot cakes”. There is no reason or justification for the increase in prices as the development

proceeds. Everyone on the housing ladder at the moment is making money except for the FTB's who are having to pay more and more for their first homes. At the moment a FTB can expect to pay as much as £150,000 for their first home. This I find hard to believe.

I *Is there something the valuer can do in situations of rising markets?*

R No, with a willing buyer and willing seller there really is nothing a valuer can do. But there has been a terrible exploitation by builders in the current economic situation. They are literally "taking what they can get" and its bearing no relation whatsoever to site value and building costs. It's a crazy situation but with so much demand they can have what they want.

One of the things that was in the builders favour was that interest rates came down to as low as 3 and 4 per cent and consequently borrowing money was not a problem. FTB's have been able to obtain 85% mortgages, which while interest rates are low is terrific but if interest rates go up the situation of negative equity will arise. If for example interest rates go up to 8 or 9 per cent all those homeowners that borrowed at 3 or 4 per cent have repayments, which are suddenly doubled and they just will not be able to afford the increased repayments. Then they try to sell the house alongside everyone else in their predicament and now you have situation of house prices coming down and that's the bubble everyone is waiting to burst.

I *In the UK one of the main factors to contribute to the last bust or recession was the investment market in residential property. When interest rates went up it was the residential investor that tried to exit the market first causing the drastic plummeting of house prices leaving approximately 1 million homeowners in negative equity. Do you think the measures introduced, as a result of the Bacon Report will address the problems sufficiently?*

R The Bacon report is significantly trying to discourage the residential investor from entering the market. They are being penalised on every front and residential property is just not a viable investment.

The first Bacon Report saw the abolition of mortgage interest relief. So now investors are not able to write interest of the interest on their borrowing against the income from their investment. The second report introduced a 9% stamp duty level, which is basically very difficult to recover.

I *There is talk of taking the stamp duty issue up with the Government as some agents felt it has caused the market to become dead. What do you think of the situation?*

R Well, this is really what the government wanted to see happening. Now you have a market situation where houses are not selling and prices will have to be reduced. That's what the government set out to do and although it hasn't happened yet house prices will come down with less demand in the market place.

I *Does the stamp duty level apply to FTB's?*

R No. If the Bacon Report can introduce measures which will reduce the price of housing in a free market situation the way to do this is to bring in areas where builders have to reduce the price to make a sale. If it is uneconomic for investors to buy residential property then builders are confined to selling to FTB who have limited funds and will in effect reduce the price of housing.

I *Do you think the measures introduced will have a long-term positive effect?*

R Builders think that they can increase the price of houses willy-nilly, and that the public will pay the prices, which are going, up and up and up. With investors gone you are dealing with people and salaries and it is not within the capability of these ordinary homeowners to pay the current price levels.

In my opinion I think the whole property market in Ireland is false because profiteering in builders is driving it. A good market situation is where builders cut costs down to a reasonable profit margin and sell the properties at that

price. Builders are basically not looking at site value, costs and services, labour and other outlays. They are basically increasing house prices with each lot of new homes released.

Interest rates being low, the availability of money, bright prospects for the future within the country, more employment and a young population, a number of economic factors have shoved up the price of houses over the last two years.

I *The Bacon report by discouraging the residential investor has created a market where demand is lead by homeowners who are limited by salaries and related to employment. It would appear that this should lead to a sounder economic base.*

R Now you're talking. The country is stabilising and the bust is looking less likely. It will take a couple of years for the measures to take effect and to perforate the market place. But it would be very worthwhile for you to talk to Peter Bacon about the current market situation.

I *Could the valuers' role assist the Bacon measures by undertaking valuations without transaction price data. This would remove the pressure on Valuers to value to the purchase price, as only the lender would know the purchase price and the decision to uphold the purchase price would be left to the lenders. Furthermore, this may also prevent builders from increasing house prices willy-nilly as you say.*

R It's definitely worth considering and as I said you should talk with Peter Bacon.

Appendix IX Transcripts of Interviews with Valuers in Australia

The following pages outline the interview transcripts, a total of five interviews were conducted in Australia, four by videoconferencing and one by telephone. All were recorded and fully transcribed.

Interview with Anonymous Valuer 11**Date: 13th September, 2000****Duration: 35 minutes**

I *In the UK the Direct Capital Comparison is the main valuation technique used for residential mortgage valuations. Can you explain the valuation technique you use for vacant possession residential mortgage valuations?*

R Let me start by saying that as a practising valuer we are probably not as technical as the taught theory in colleges and universities. Where a student maybe taught calculative methods or a point system for the different factors used in the sales comparison approach, valuers in Australia use a more global determination. Where the property and those we are directly comparing are examined overall and then it's more of an art than a science to say whether the property is superior or not. Its usually a quantum amount rather than having separate parts to the property valuation.

I *What do you think are the key factors influencing the value of residential property?*

R Location is always number one. Obsolescence of any of the physical improvements to the property, improvements to the land and obviously when examining residential property the condition and presentation of the property.

I *What market information do you use?*

R We have a database in Queensland collated by RP Data, who collate all the sales in Queensland which we have direct access to. In addition to that it just basically contact with other real estate agents and any sales that we come in contact with as part of our valuations.

I *Do you hold any subscriptions?*

R In regard to data, no.

I *Do you look at articles from property journals or national/local press?*

R Not to a large extent, these would not have a great bearing on our valuations.

I *More specifically what economic information do you monitor?*

R Mainly changing interest rates, the disposal income of the population and economic data in segmented terms. For example Toowoomba has a number of segments, with different socio-economic groups tending to locate in different areas. If you can establish what the disposal income is for each different socio-economic group, you can have some idea of how these suburbs are going to perform. We try to determine the type of purchaser for each market segment.

I *What extent do you think economic information should be monitored, that is globally, internationally, nationally or locally?*

R More locally and nationally. The international residential market is not impacted greatly on what happens in global terms except perhaps the upper end of the market.

I *The API members are required to analyse appropriate market indicators. What are these?*

R Main indicators we use are sales and basically we analyse are own raw data. There is not an indicator provided by an industry.

I *Do you think there are indicators capable of warning of changes in the market place?*

R Yes, this can be achieved and it is something we are working towards. We are working on a new format for our file sheets, which are basically scannable worksheets, which contain a number of fields. When the file sheet is scanned into the computer a report is produced without a secretarial input as such.

Because the data is being inserted into fields we are then able to go along the lines of multiple regression using our own data. Any significant changes in the market place can be established through our own data. Currently, there is nothing in industry at this level. However, it is very much an in-house system which we are developing ourselves.

I *Do you use the API report pro-forma that lenders are encouraged to use?*

R Yes we do use the suggested format for about 90% of our valuation reports.

I *Australian valuers are not only required to give the current market assessment but also to rate the future saleability of the property. How do you approach this issue?*

R It should be remembered that we are still dealing with historical data which is the biggest failing of the valuation system. It depends on how old the historical data is in regard to the currency of the market value being assessed.

However, in terms of whether there is a chance that over the next 2/3 years the property value will decrease, it is the market cycle that needs to be examined. The particular type of property in its location or market segment is considered to see how much volatility is associated with that particular type of property segment. Any related risks are assessed with regard to the property being valued. Whether the property might be susceptible to value changes over the next 2/3 years is considered.

I *Do you think that economic sustainability features in the valuation process?*

R Probably not in the strict sense. It depends on what economic level you are looking at. Are we to consider it at a national level or at possible local changes? If I was doing a valuation in a small country centre that is specifically an agricultural service centre which we have a number of around Toowoomba, and Toowoomba itself to a large degree, these places are driven by the agricultural economy. At this point in time the agricultural lands

surrounding Toowoomba are within a period of severe drought and obviously there are going to be quite severe economic impacts in regard to lost production this year. Yes we do take into account that these impacts will probably flow through to the property industry and there will be consequences. The problem is that there will be an impact but we do not know to what degree, this is the biggest problem facing us.

I *Valuations are fragile, capable of going up or down. How long do you think a valuation should hold?*

R Our professional indemnity insurance tells us three months but realistically, the market in Toowoomba has moved downward over the last two months so in my opinion a valuation is only as good on the day that its done. Some sort of impact or factor can arise the day after a valuation or the next week.

I *When you undertake a mortgage valuation are you given the bid price?*

R We are educating our lenders to do this. However, it is something we continually have to seek or ask for. But certainly when we do the valuation we do seek that information if its not given.

I *It you do not have transaction information does that alter the valuation techniques used?*

R No. But if you have transaction information obviously that is the most relevant information particularly if the transaction has been conducted at “arms length”.

I *Interviews with homeowners in Toowoomba showed that many viewed there homes as investments. Do you consider buyer behaviour in the valuation process?*

R People like to perceive that their home is a good investment but at the end of the day the factors that drive people to purchase their home do not relate directly to what we might call investment determinants. For example,

homeowners may have a perception that a house is aesthetically pleasing, or it may have a sentimental value. These are some of the reasons that purchaser's buy a particular property so I don't believe that realistically investment determinants are the total contribution to the market.

I *Is there any reason why buyers in Toowoomba might use investment criteria above say personal motivation or sentiment?*

R It is a perception by the homeowner rather than fact I would think.

I *Costs-in-use were identified as a key factor in determining value. How do these get considered in the valuation process?*

R One of the strongest segments of the market in Toowoomba, are timber colonial homes, which have a very high maintenance factor. To a degree people will look at the maintenance costs of a home, in particular a retirement couple who will probably opt for a brick home with less maintenance. However, your trendy 30-50 year olds worry less about maintenance and look more for location, a homely home, and will probably end up in a timber home with high maintenance costs.

I *In the API practice standards reference is made to operating costs and prime costs. Is this explicitly asking for information relating to costs-in-use?*

R Certainly, when undertaking a valuation for a lender with a lot of these older homes we do specifically comment on some of the maintenance factors that would have a bearing on the sustainability of the value. Maintenance needs to be on going and whether this will be at a significant cost is addressed.

I *Do you ever encounter financial initiatives or premiums when conducting residential valuations?*

R We have what we call an investment market which is driven generally by ex-accountants who try to encourage people to buy properties at a guaranteed

returns basis, guaranteed rental levels and that sort of thing. The problem, which arises, is that a two-tier market tends to be created, where the property prices achieved do not line up with resale values.

A two-tier market is where you have a hype marketer, who may appear professional but may actually misrepresent the property to a certain extent, and to that degree purchasers end up paying too much. When they try to dispose of the property through a normal marketer (local market basis), they are unable to attain the same level of value. So a situation where we have a hype marketer who obtains high values, and a normal local real estate agent not being able to achieve the same prices resulting in two market levels.

I *As a local valuer, how do you approach this issue?*

R We are acting for lenders and as such we are interested in resale values and as a consequence they are interested in the lower tier, not in the hype tier.

I *How important is a network of colleagues for the practising valuer?*

R In my circumstances we do not have a real estate arm, we are solely a valuation firm. We find that real estate agents provide a great amount of information, as we are not the competitors as such.

Australia is witnessing a high impact in the market place due the change in taxation policy. We saw a period from May to June prior to GST's introduction, which was very quiet, because people basically did not understand or know how GST was going to effect the market. Since the introduction of GST we are probably still in a state of fluxes because people can not establish how the tax is going to effect the market. It's at times like this that contact with other agents is essential.

Two main factors have come out of GST, one is the FTB scheme which provides a cash deposit from the government for first time buyers of \$7,000 towards the purchase of their first home. This cash deposit goes along way

towards the deposit or paying stamp duty and legal fees. The other factor is GST attaches as a supply tax to the sale of new homes so if a builder builds a new home and sells it, there is an associated GST applied to the sale. Your normal second-hand residential property in comparison is tax-free with regard to GST.

Two different applications to two different parts of the market. Now in the past, to an extent, the new homes market drives the market. With GST added on top there is the perception and it has not transpired to real terms yet, that it may in a sense drag up the market for older homes and create a gap between the two markets.

The market was very buoyant in July with the pent-up demand from FTB many of who had waited for the introduction of GST. That segment was very active for about six weeks. We are just in a situation now and I think the drought is the over riding factor, plus we have increasing interest rates, the market is fairly flat at this point in time. Again working in the local area and talking to other agents keeps me in touch with what's happening in the market place.

Interview with Anonymous Valuer 12**Date: 14th September, 2000****Duration: 40 minutes**

I *Can you explain the valuation technique you use for vacant possession residential mortgage valuations?*

R For residential property in Australia the sales comparison approach is used in the main. To undertake a valuation firstly, a file is compiled by our report department which will include a site map, a current print out of the RP data including previous sales, ownership and legal details regarding the property.

The RP Data is the real property description, which is information compiled by a commercial outfit, called RP Data. They basically compile the information held by the Department of Natural Resources who record all property transactions in the state of Queensland. Most valuers will rely on RP Data, for the comparable information.

Primarily, I will try to use sales within the last six months in similar districts and locations. Succeeding the inspection a “drive by direct comparable sales” is necessary. Obviously a comparison between “like with like” is sought with three to four comparative properties considered and all the various variables analysed. Obtaining the sales information through the RP database and generally talking to other agents and working within the local area of Toowoomba is very important.

Valuers rely heavily on other reputable agents. Particularly so when a difficult valuation arises. In certain circumstances I would approach neighbouring properties to try and obtain more information. Generally, with the new homes market (or recently built homes) the range is easily identified it's the fine-tuning that requires a valuer's expertise. I try to get within \$5,000 dollars of the market price, and I would either run with the contract price or split the difference.

I *As a member of the API is there a permissible or allowable threshold for valuers?*

R Yes, 5% is a pretty good threshold and the market place is always a good place to have to go back to. If I can get within 5% of the contract price I'm a happy man. If the purchaser has been prudent and I'm any doubt I would contact the purchaser directly and establish if he has been prudent in his purchase decision at the price agreed.

Generally, I would run with the purchase price anyway. I don't think I can argue with the market place, as there is never enough anecdotal evidence to support an otherwise valuation figure. A 5% variance is certainly enough to work with.

I *What do you consider to be a "prudent purchaser"?*

R I would expect a purchaser to have inspected at least one other property. Most purchasers' will have looked at dozens of properties during their housing search. One that has had a good look around at what's available in the market place and considered why they have chosen the particular property and in particular why they have agreed to pay the purchase price.

I *What do you think are the main value attributes in a residential mortgage valuation?*

R Location first and foremost, the quality of any structural improvements, landscaping, the quality of the fixtures and fittings, in particular the kitchen and bathroom and the general neighbourhood. Some variables within general neighbourhood such as socio-economic factors are important. It depends on the town and whether due to race or other factors a particular area may not be desirable or that segment of the market might be dead.

I *With regard to market information, where do you obtain the information used to produce a mortgage valuation?*

R The majority of the information is derived from the database systems on offer in Queensland. Basically, all the transactions are recorded by the DNR and this information becomes publicly available information. However, a commercial company called RP Data compiles the sales information and resells it. We are mostly reliant on that. For the residential market the databases used are very reliable and the majority of practitioners rely on it 100%.

I keep advertising sections from newspapers and our own transaction records are a good source of market information. Being active in the market place is important in gaining a history of knowledge. This knowledge substantiates much of the valuers' work, as he also eliminates inaccurate or inappropriate information.

I *More specifically, what economic data do you keep up to date with during the course of your day to day activities?*

R For residential valuations I do not think that there is a lot to do. We are more focused on the actual market place. Interest rates are probably the most important thing. We do not specifically collect economic data for the residential market. If we are doing bigger projects then we might collect economic data but there is no specific database for examining economic influences because the market place should reflect economic forces.

For example, with the introduction of GST we were expecting an increase in the cost of housing but in actual fact builders had inflated their costs anyway due to the expected increase in demand just before and during the introduction of GST. So agents around town now are finding that building costs are reducing. So what I am saying really is that if we had gone on our initial presumption we would have got it wrong. I don't try and predict what is going to happen. Generally, valuers are looking backwards at historical information.

I *Where do you obtain the economic information you use?*

R If a valuer is working in a particular area it essential to keep up-to-date with local newspapers and any relevant journals or magazines. In particular in a centre like Toowoomba the local presses are far more reliable than any economic data produced on a national level. Basically, the market place should tell its own story on what's happening and relying on a crystal is no good.

I *You mentioned interest rates as a market indicator. Do you think that there are indicators capable of warning of changes in the market place?*

R Interest rates are the main one. New projects and approvals may be a catalyst for growth and this gets considered and recorded. Also, demographics are important if you need to analyse the overall market place, however, this would not be done on an individual basis for residential property. Growth, such as that experienced by those areas surrounding the local university in the student market (again the residential market) is an indicator.

However, it is much more important to know what's going at a local level as opposed to analysing national indicators. Bank commentators and other leading experts are always making predictions regarding the value of the dollar or interest rate levels, but they get it wrong all the time. In my opinion the most influential factor in recent years has been in technological advances. We now have to look at how people are living and how people are buying. This is important for the future, to be aware of the changing world.

I *Do you think economic trends in the capital cities can act as an indicator for smaller centres such as Toowoomba?*

R Sometimes there is a ripple effect and economic indicators driven by Sydney and the south can have an impact. This occurred during the last upsurge in the early nineties. However, the Olympics which has had a vast economic impact on Sydney in terms of growth over the last four years, whether this will be felt down through the market is doubtful.

I *Regarding valuation figures, how long do you think a valuation should hold?*

R The courts suggest that three months is about as good as it gets. Personally, I would say its more like 3-6 months in real terms. I disagree with the point in time argument. In real terms a valuation would be expected to hold good for a 6-12 month time frame. This is a reasonable expectation unless some extraordinary event occurs such as a natural disaster. However, under normal circumstances for residential property valuations a 12-month prediction of value is fair.

I *The API require that you assess a property's future saleability. How do you approach this aspect of the valuation?*

R Basically, its an examination of what segments of the market are active and likely to stay active. And of course identifying the market segments that are dead. Feedback from agents is vital as an indicator as to what's happening in various market segments.

Take for instance in Australia at the moment we are feeling the after effects of the introduction of GST. Firstly the introduction of a first time buyers (FTB) cash grant of \$7,000 towards the deposit of their home. This is obviously going to influence the market. The market in Toowoomba is confused, in particular some agents are doing exceptionally well and others are struggling. Its difficult to get handle on the direction the market is taking and the agents are the ones at the cold face of things. Talking to reputable agents from time to time gives a good indication as to what's happening in the market place.

I *With regard to mortgage valuations, do you know the bid price?*

R If a property is under contract, yes.

I *Do you think that economic sustainability features in a mortgage valuation?*

R What do you mean by economic sustainability?

I *If a purchaser considers their home as an investment and considers the future saleability of the home important during the housing search process they are looking at variables within the process from a sustainable viewpoint.*

R Quantifying the sustainable investment qualities of a home is difficult. As valuers we tend to look at history rather than looking ahead as it's too unpredictable and we get sued too often. However, it is something we have been trained to do but in my opinion what's been paid in the market place reflects it. If the investment qualities of a home are a purchaser's criteria, we have no control over this, as we can only examine the physical side, assess the maintenance qualities of a home etc., but again all these factors are ultimately reflected in the purchase price.

It would be difficult when undertaking a valuation to think investment. It is up to the purchaser during the decision process to consider the future saleability of the home and it is not for the valuer to dwell on. Everything is reflected in the price paid. The important aspect of a valuation is to make sure that the price under contract is justified by two or three other comparable sales, and that it is not out of line with the comparative data. Sales need to be substantiated historically.

I *Do you account for buyer behaviour in the valuation process?*

R Yes no doubt about it. If a property is only attractive to a limited market segment, this would be highlighted as in most instances it will take longer to sell. There is a general market place, which is quite dynamic, but if a property falls outside this general market place then it will be highlighted and the possible pitfalls identified. This comes out in limited market segment situations. Identifying demand is most definitely part of the valuer's role.

I *How do costs-in-use get considered in the valuation process?*

R Again it gets considered in the market place and in the purchase price. Houses are compared “like with like” and as such maintenance factors are part and parcel of the process.

I *Do you encounter financial incentives in the valuation of residential property?*

R Yes and it requires caution and skill. The main thing is valuers need to adopt a “beware” attitude in new market segments where comparative information is scarce or unavailable. Sometimes there may be premiums or incentives put through the DNR database that need to be checked and considered probably. Pitfalls or traps may arise for professionals not looking outside the “square” as it were. Until two or three sales have gone through in a new market segment the valuer must be cautious and consider the information at length to ensure that no incentives are attached to the transactions.

I *Have you encountered a two-tier market or a hype market in your residential valuations in Toowoomba?*

R The hype market is more applicable to Brisbane and the Gold Coast corridor, which are specifically designed for investment. In Toowoomba we do have accountants who invest in property and through aggressive marketing houses are sold at unrealistic prices in terms of purchasers trying to resell and not achieving the price paid. We are on the look out for this and lenders are strict in their approach of investigating all new market segments with regard to new homes and where comparative information is unavailable. In particular, cash incentives attached to property transactions given as incentives, which in effect reduce the margins for mortgage loans, is at the front of our minds in new market segments.

Interview with Anonymous Valuer 13**Date: 14th September, 2000****Duration: 45 minutes**

I *What is the current market situation in Toowoomba?*

R Things here have quietened down considerably since the introduction of GST. Apart from the Olympics the economy has basically stopped. Building approvals are down as building costs were expected to rise by about 7/8 per cent with existing home-loans also taking a downturn.

The government anticipated the slowing in building approvals and hoped to counteract the effect by introducing FTB home loans. These were designed to offset the effects of GST with all FTB's receiving a grant of \$7,000 towards the purchase of their first home. However, I think this figure is insufficient as back in 1983 these loans were available and they were \$7,000 then. Really the grant would need to be at about \$21,000 to achieve the desired effect.

I *Do you use Direct Capital Comparison as your main method of valuation for residential property?*

R Primarily yes, but I would use a summation technique as a check. The prominent method is direct market comparison but we would usually try to approach a residential valuation using a few methods. These include replacement cost, getting information on the unimproved capital value which is normally about 90% of the market value not that we rely heavily on this figure. Basically we examine the land, the replacement cost, the depreciated replacement cost and the comparable sales information.

Today banks and lending institutions conduct quality assurance by visiting the practices of panelled valuers and inspecting valuation files including field notes, valuation reports, and the information, in particular the comparable sales information, used to produce the valuation.

The checklists used by a lot of valuers are very restrictive considering the range of residential property types in Toowoomba, the range of building materials used in their construction and the various types of soil that might be encountered in the Toowoomba region. The forms used by valuers are attractive due to their ease of process by a secretarial input who will also provide the verbiage for the report.

I prefer to draw a detailed plan of the property, which is also preferred by the Queensland Registration Board. Banks are usually the instructing party and I receive instructions both verbally and in written form. Toowoomba serves a catchment area of about 200,000 with Brisbane serving about a million. The search facilities are good in Queensland. The most important things are to have knowledge of the state, the economics of the state, awareness of demographics, the general market movement particularly where there is limited sales information.

There are strong parallels between the British, American and Australian economies. We all experienced the same property slump in the late eighties and deregulation of the banks, which created the same surge in the availability of loan funds. With a lot of money freed up the market boomed. High interest rates lead to the market falling dormant around 1986, but then a rush until 1989 when suddenly house prices got highly over-inflated and the market collapsed. The slump here included an industrial slump and unemployment levels grew. However, Queensland was the only state experiencing growth which lead to increased inter-state migration from mainly Sydney and Melbourne. Employment drives housing demand and household formation, which occurred, in particular in the south-east corner of Queensland.

During 1992-95 the economy in Queensland benefited from low interest rates, low inflation and no increase in building costs. However, in 1996 interest rates were pushed by as much as 3%, which ground the whole economy to a halt. Since then we have steady growth with no real surges, the economy has been fairly consistent.

I *Do you think there are indicators capable of warning of changes in the market place?*

R Yes. Take GST for instance, there has been a predictable stop in the economy. Measures of consumer confidence for housing and residential demand tell the same story. There has been a 40% drop in activity from the same time last year with building approvals also down 40%. There has been a large quantum of change. The retail sector is also down. Those sorts of indicators are there. Interest rates are very important in terms of loan affordability. Government tax and policies as currently being witnessed has an enormous effect on the market place. Also new industry such as Singapore Airlines and the new Power Station planned near Toowoomba creates demand and distorts predictions regarding what's going on in the market place. It is essential for a valuer to keep up-to-date and talk to other agents practising in the local area particularly when dealing with circumstances outside of town.

I *Do you think that there is pressure on valuers from lending clients to value to the bid price?*

R Yes, it's a global issue especially where commercial property is concerned. For panel valuers in the residential market basically unless you're going to give the desired valuation you won't get the instruction. Some financiers are good but there are cowboys out there. Take ANZ for example, a large mortgage lender in Australia, who prefer drive by valuations. Basically what you can see from the driveway entrance is all that counts and their bank managers do the valuations. Valuers are up against computer systems with banks being able to conduct their own search for comparable sales information.

I *It would appear from interviews with consumers in Toowoomba that the investment quality of their homes was important criteria during the housing search process. Do you account for this?*

R For most people the home is the major lifetime investment and they expect to pick up some capital appreciation on their investment. However, there is no way that the average person could calculate through any mathematical combination of income, number of years etc. what the capital gain will be. I don't think they are equipped to make a judgement on the investment qualities of the home. In particular, as the 1990's market is so different from the 1970/80's in that we have experienced steady growth, steady inflation and no booming situations there is no historical evidence to go on.

I *Costs-in-use and running costs were also identified as important value attributes? How do these get considered in the valuation process?*

R Houses in Toowoomba are very durable. The average brick veneer home requires very little maintenance for it to account hugely in the valuation. There is a strong preference for new housing as opposed to existing with very little growth the 30-year old home segment. Today, everybody wants a four bed with en-suite and double lock-up garage. Valuers can advise purchasers on the long-term ownership factors such as homes are cheaper on the west-side of the city and closer to the range they become more expensive. Also, factor such as not planting trees too close to the residence if the soil has high clay content, which is a factor in Toowoomba, knowledge of these types of factors can increase the chances of sustaining residential investments.

I *Do you ever encounter financial incentives?*

R We have a two-tier market which is very strong, and effects rural residential land in particular. There is an oversupply of rural residential land blocks and there is an unscrupulous group of developers who have over-developed, excess supply, and they do clever marketing showing purchaser's one property and not giving them a proper look at what's available in the market. But the startling thing is the range in values. I've never seen such a strong deferential with just vacant land.

For example, a developer may achieve \$70,000 for a block of land, \$20-25,000 is achieved by a private resale through a local valuer and the financier will achieve less than that, about \$12-15,000. Obviously, when the homeowner goes for a mortgage after paying \$70,000 for the land and the valuation comes in at \$20,000, everything starts to fall apart.

It basically comes down to unscrupulous marketing tactics in a market segment that has an over-supply. Valuers are getting in too late and need to get involved before the contract stage. Going down the road of professional property advisors to get in before the contract stage may be needed. There is a lot of pressure from lenders to get the deal done, as they don't want to lose the business. If the valuer's valuation figure is way below the market price it causes problems and pressures results from all sides.

Brokers are even worse for putting pressure on as their salary or their commission relies on it. However, with the drive-by bank manager that gets paid regardless and is probably rewarded for achieved number of loans financed, the situation worsens. At the end of the day the purchaser is the client as he ultimately pays the fee (even if it appears to be at no cost to the purchaser, the fees is usually built in to the loan application). One direction valuers should be taking is in giving more general advice, in particular with regard to the two-tier market situation. Advice backed up by the correct affiliations from property professional organisations.

In the 1990's in the steady inflationary economy that is prevailing it is easier to see over-priced property than in previous decades and as a result financiers are being made aware that there is insufficient evidence to support the market price.

GIS and spatial analysis is the way forward and something you should be looking at...

Interview with Anonymous Valuer 14

Date: 23rd September, 2000

Duration: 45 minutes

I *Can you briefly explain the valuation techniques you use for residential mortgage valuations?*

R Direct sales comparison, basically analysis of sales evidence.

I *Where do you obtain the market evidence you use?*

R We are connected to a database called RPData, I introduced you to it while you were in Toowoomba. I also have built up a sales database of my own which includes all the properties I have valued, most of which have then sold. Discussion with other agents is also a vital source of information.

I *What do you consider to be the key factors influencing value?*

R First and foremost would be property specific factors including size, presentation, location and ancillary improvements to the property. Also the general appeal of the property is important.

I *The API requires valuers to analyse appropriate market indicators. What are they?*

R Basically, building approvals, trends in interest rates, trends in employment and unemployment levels.

I *Do you think there are indicators that can act as a warning of changes in the marketplace?*

R Yes, certainly any changes in interest rates would act as a warning. Also changes in taxation like the implementation of the goods and service tax recently had a dramatic impact in the market in so far as building costs increased. In turn the cost of housing increased with many builders rushing the

completion of properties prior to GST causing an over-supply in the market. Currently builders have no work and the new homes market has gone dead.

I *More specifically, what economic information do you monitor?*

R Same sort of thing really. Taxation, interest rates, consumer price index, building approvals. I try to get a general feel for the market by talking to other agents and gauging how long a property takes to sell.

I *Do you consider buyer behaviour in the valuation process?*

R Buyer behaviour is hard to determine and analyse simply because we are in a market that is pretty stable and it is relatively easy to anticipate trends unlike the UK market. Take Brisbane for example where the current trend is to move back into the city from the suburbs. 20 years ago everyone wanted to move out of city. So values have reversed with suburb prices decreasing and inner city prices rocketing. In particular people want small terraced house or apartments.

I *Do you think economic sustainability features in a mortgage valuation?*

R Yes, although its not the most influential factor influencing value. It boils down to determining whether the market in which your dealing is a stable one, and what trends are out there that could influence value such as GST.

I *The API require valuers to provide a current market assessment but also to rate the future saleability of the property. How do you approach this?*

R Again its down to taking account of trends, whether people are moving in or out of a particular area, the type of houses people want to live in, planning approvals also impact, whether it's a progressive or retroactive area. All those type of factors would be taken into account.

I *Valuations are capable of going up or down. How long do you think a valuation should hold good?*

- R** Our policy is if the valuation is older than six months we would not re-sign it, a fresh up-to-date valuation would be required. However, in Toowoomba a valuation would be valid for at least six months as its not a very dynamic market, pretty level market. But in Sydney I would expect that a valuation may only hold for a period of three months due to the market being a lot more dynamic.
- I** *Interviews conducted with homeowners in Toowoomba suggest that many viewed their homes as investments and that the investment qualities of the home were pertinent factors influencing value. Is this your experience?*
- R** Buying a home is the most important investment homeowners are likely to make. However, the homeowner may consider their home an investment but it is strongly tied to an emotional purchase with most people “loving” their house and to be honest I would think a capital gain is secondary.
- I** *Another issue to arise form the interviews in Australia was cost-in-use. Do they get considered in the valuation?*
- R** Most of the houses in Toowoomba would have similar running costs, rates may vary but that’s about it. It really doesn’t matter where you buy house in Toowoomba whether it’s on the east side or west side of the city as rates are determined by the cost of the unimproved land. With regard to the age of the property certainly an older home will require more maintenance than the new equivalent but costs relating to ownership do not really vary. I find it interesting that homeowners would mention it.
- I** *The API practice statements refer to prime costs and operating costs. Is this explicitly asking for information relating to costs-in-use?*
- R** I use the API Pro-Report format for mortgage security, which does not ask for specific information relating to costs. However, there is a general heading under which information can be provided if necessary.

I *When undertaking a mortgage valuation do you know the transaction price?*

R Yes, always if its under contract but I also do re-mortgages which obviously would not include a contract price. But whenever I am doing a valuation of a house that is under contract I will request a copy of the contract.

I *And is standard practice for lenders to give you this information?*

R Yes, for the five years that I have been involved in the business.

I *Do you ever encounter pressure from lenders to value to the transaction price?*

R We always encounter pressure from lenders. Generally speaking in a place like Toowoomba where the market may not be as dynamic as other places such as Sydney, the contract price if it has been tested by the market that is generally the value of the property. Now unless it is way out of line we would just endorse the contract price. But sometimes if you do value under the contract price, the lenders are straight on the phone looking for an explanation.

We have a policy that at one stage or another no matter what you will upset a lender as will the other valuers and it tends to go in a circle. Upset a lender one week and within a short period of time another valuer will upset the lender and the business swings back.

Unless you can determine that a transaction is not an “arms length transaction” and the sale has been subject to a normal selling period with a willing buyer and willing seller, then the contract price is the market value. Obviously if I think that this has not been the case then that will be reflected in the valuation.

I *How do you establish whether its been an arms length transaction?*

R Firstly, as a local valuer I will have a perceived market range that I think a property will fall. It doesn't happen too often but if I receive instructions to do a valuation which includes a transaction price and I think the price agreed looks too high, its normally because there is some other deal going on and I would have to investigate further. Then I would ask the question of the vendor/owner/purchaser if they are related in anyway or whether there is a cash settlement included in the contract price.

I *How do you treat financial incentives in the valuation process?*

R They would be deducted from the transaction figure without question. Just recently we are witnessing new homes sales which include the deposit making the contract price higher than the comparable sales evidence would support. Essentially the builders are giving \$10,000 deposit and adding it to the contract price. They are all doing it to try and get business and I have to be careful and make sure that the deposit is deducted.

I How does lender pressure affect you when you make these deductions?

R Personally, I feel quite strongly that lenders should not be allowed apply pressure on valuers. At the end of the day if the valuer is sued because a property did not meet its value in the marketplace, the lenders are not going to turn around and apologise for putting pressure on the valuer and take responsibility. In fact they don't care.

Really lenders should have a duty of care to stop harassing valuers.

Interview with Anonymous Valuer 15**Date: 20th February, 2001****Duration: 25 minutes**

I *How is business in Toowoomba?*

R Business in Toowoomba is good, very busy. We had an interest rate drop a couple of weeks ago so there is a lot of refinancing going on. And there is also more demand out there, people are buying so that's good.

I *What is the method valuation method you use for residential property for mortgage purposes?*

R Direct comparison, but sometimes if we get an unusual house, and we cannot really find any sales evidence for, in that case we would do a summation. But in the main its direct comparison.

I *What are the key factors influencing the value of residential property?*

R Location is the first factor and it has a big influence, the structure of the house whether its brick or timber, quality and standard of the interior of the house, the condition and presentation and also the demand for the style of house. In Queensland we have our own indigenous style of house called the Queenslander which is a timber construction and there would be more demand for this style than the brick alternative. They sell quicker which doesn't necessarily mean the price is pushed up, it just means that if I have five timber homes and five four bedroom standard bricks, the Queenslander's will sell quicker.

I *How do you gauge demand?*

R Well firstly the style of the property - take for instance Glenvale, which is at the back of Toowoomba towards Oakey, there's a whole lot of brand new four

bed room brickies, which are a dime a dozen. There is a little bit of an over supply, so I think that supply and demand play an important role and high quality timber Queenslanders will sell quicker.

I *What market information do you use?*

R The RPData Sales printout - what properties have sold for. I subscribe to this for market evidence.

I *Do you rely on this data source?*

R Yes. Certainly it is a good source of data. But I have my own data as well, properties that I have valued and sold in the past as I keep records of all the sales that I do.

I *The API requires valuers to analyse appropriate market indicators. What are they?*

R Mainly economic indicators such as interest rates as obviously when interest raise rise or drop as is the current market situation people are refinancing and buying. On the broader spectrum consumer confidence and fluctuations in employment levels are market indicators.

I *Can market indicators warn of changes in the marketplace?*

R Certainly, yes especially with housing. Quarterly bulletins on residential building whether its increased or decreased in the last quarter and whether its gone up or down.

I *Do you keep records of market indicators?*

R No I wouldn't keep paper records but I would know what's being happening in the last twelve months in particular since the introduction of Australia's goods and services tax (GST).

I *Do you monitor economies on a global scale?*

R Yes, because both the American Dollar and the British Pound would have an impact on the Australian economy. It all has a flow on effect to our interest rates. In Toowoomba the local economy is affected heavily by trade industries and agriculture so that needs to be monitored as well. The majority of people are directly or indirectly linked to agriculture, in one way or another. For instance a doctor would be affected if a farmer who requires medical attention cannot afford it due to changes in the economic situation or the farmers perception of what's to come. Or take a water shortage, which would affect crops or we, export pigs and sheep to Canada and the US. All of these things needs to be monitored through newspapers, televised news and economic reviews.

I *Does economic sustainability feature in the valuation process adopted?*

R In residential property it does moderately, but I wouldn't harp on it.

I *The API require valuers to provide a current market assessment but also to rate the future saleability of the property. How do you approach this?*

R That's important as if you come to a house that has a bright pink bathroom or an indoor swimming pool with a crack and is broken and just sitting there, may result in the property being hard to sell. So it might have a difficult selling point. A unique property that might look like a castle but if people don't want to buy a house that looks like a castle then it will be hard to sell. So within the valuation report you make a comment that it is a unique property and that it may require a longer than normal selling period.

I *How long do you think a valuation should hold?*

- R** It will depend from bank to bank and also the purpose of the valuation but I would think anywhere from three to six months. Some may hold for over a year but that wouldn't be the norm.
- I** *Do you consider buyer behaviour in residential mortgage valuations?*
- R** Yes definitely. Profiling the different buyers such as first homebuyers (FTBs), families or investors. Take FTBs who received \$7,000 grant when GST was introduced, there was obviously an increase in demand from this type of purchaser. And also with properties, normally a seven bedroomed house would not be of interest to FTBs whereas a two bedroomed timber cottage might be your FTB.
- I** *Interviews conducted with homeowners in Toowoomba suggest that many viewed their homes as investments and that the investment qualities of the home were pertinent factors influencing value. Is this your experience?*
- R** I am of the opinion that a home bought to live in and if you want to decorate or do it up you should do it up for yourself. I don't agree that you should do up a house for how someone else would like it, you do it up for your own tastes. I think a lot of people have that mentality that you buy a house and choose the décor that will sell easily such as bland tiles and paint the place white and that sort of thing, what appeals to the majority. I advise people that ask me that they should do it up for themselves, what they are comfortable with.
- I** *Australian homeowners listed costs-in-use as an important factor influencing value. Do costs-in-use feature in the mortgage valuation?*
- R** We don't look at it from a maintenance point of view but if a house has got well kept timber windows as opposed to the aluminium that would obtain a higher price. We wouldn't usually consider operating or prime costs in the valuation.

I *Do you think residential mortgage valuations would benefit from being more explicit?*

R Yes, I do because some of the forms issued by banks are restrictive. And every property is different and has an individual feature and sometimes we are restricted by the valuation report forms or by what the bank is asking for. We are unable to express the true aspects of the property as the banks just want a number and whether it values up. Particularly where they ask questions regarding future saleability banks are only interested in what the value is today.

I *Do you know the bid price when you do a valuation?*

R Sometimes I do and I try and get the sales contract because at the bank of the contract it will have special conditions which may include a lawnmower, swimming pool or you know something that may be worth \$10,000 or even \$20,000 and it is actually what we call not real property and does not come as part of the land and buildings and these factors would have to be deducted and as such I try and get the contract.

I *Do you ever encounter pressure to just confirm the bid price?*

R No, I let them know that my valuation is an independent valuation. I mean I consider the price agreed and I have a think about it but I don't let it out undue weight.

I Do you ever encounter financial incentives?

R Yes, sometimes you get a package where the seller pays the legals and that would be taken into consideration

Appendix X Questionnaire Responses

1. How long have you been undertaking residential mortgage valuations?

12 years

2. How much of your professional knowledge is attributable to?

On-the-job Experience	<input type="text" value="50"/> %
Formal Education	<input type="text" value="20"/> %
Continued Professional Development	<input type="text" value="30"/> %

3. Are you affiliated to any professional organisation?

FRICS and BIFM

4. Do you undertake valuations for any of the main mortgage lenders?

1 ☒ Yes

2 ☐ No

5. What do you think is important in relation to value, that is the key attributes or factors?

The market. Economic climate and disposable income.

6. Please rank the importance of the following factors in the valuation process ranging from the most important (1) to the least important (14).

Property Specific Factors

Location

Buyer Behaviour

Environmental Impacts

Legal Issues

Economically Active Area

Employment Opportunities

Energy Efficiency

Neighbourhood

Technological Factors

Demographics

Planning & Development

Government Policy

Financial Variables

Valuation Expert Questionnaire

7. In relation to residential property markets, besides the property itself, what market data do you monitor?

Bank of England Reviews; the perm. and anecdotal information.

8. How important are the following sources of information with regard to your own valuations?

	1 <input checked="" type="checkbox"/> Very Important	2 <input type="checkbox"/> Important	3 <input type="checkbox"/> Relevant	4 <input type="checkbox"/> Irrelevant
Own Transaction Records	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Other practitioner's transaction records	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
House Price Indices	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Local Press	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
National Press	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Market level activity: In house	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
External Sources	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Economic Data	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Demographics	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Inward Investment	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Planning Proposals	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Geological Data	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input checked="" type="checkbox"/>
Nuisances	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Professional Journals/Magazines	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Other _____	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>

9. Do you subscribe to any local or national databases?

1 ☒ Yes
2 ☐ No

10. What kind of economic information do you consider?

General economic information. Have subscriptions to focus and egi.

11. At what level do you consider this information?

Global	1 <input type="checkbox"/> Yes	2 <input checked="" type="checkbox"/> No
International	1 <input type="checkbox"/> Yes	2 <input checked="" type="checkbox"/> No
National	1 <input checked="" type="checkbox"/> Yes	2 <input type="checkbox"/> No
Local	1 <input checked="" type="checkbox"/> Yes	2 <input type="checkbox"/> No

Valuation Expert Questionnaire

12. How important are the following in the valuation process?

Database of property values	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Awareness of:				
Market activity	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Current planning proposals	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Development proposals	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Local geological influences	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Local schooling	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Bad neighbours & contamination	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Employment opportunities	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Closure in industry	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Financial incentives	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Knowledge of:				
Neighbourhoods and facilities	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Price variation	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
House price movements	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Network of contacts	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Others _____	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>

13. If you have any further comments in relation to the questions contained in this questionnaire, please feel free to add them below.

1. How long have you been undertaking residential mortgage valuations?

8 years

2. How much of your professional knowledge is attributable to?

On-the-job Experience	<input type="text" value="80"/>	%
Formal Education	<input type="text" value="10"/>	%
Continued Professional Development	<input type="text" value="10"/>	%

3. Are you affiliated to any professional organisation?

RICS

4. Do you undertake valuations for any of the main mortgage lenders?

1 ☒ Yes
2 ☐ No

5. What do you think is important in relation to value, that is the key attributes or factors?

Location, desirability of an area, proximity to amenities and road links,
schooling, condition.

6. Please rank the importance of the following factors in the valuation process ranging from the most important (1) to the least important (14).

- | | |
|--|---|
| <input type="text" value="3"/> Property Specific Factors | <input type="text" value="13"/> Energy Efficiency |
| <input type="text" value="1"/> Location | <input type="text" value="2"/> Neighbourhood |
| <input type="text" value="4"/> Buyer Behaviour | <input type="text" value="14"/> Technological Factors |
| <input type="text" value="9"/> Environmental Impacts | <input type="text" value="6"/> Demographics |
| <input type="text" value="5"/> Legal Issues | <input type="text" value="8"/> Planning & Development |
| <input type="text" value="10"/> Economically Active Area | <input type="text" value="12"/> Government Policy |
| <input type="text" value="7"/> Employment Opportunities | <input type="text" value="11"/> Financial Variables |

7. In relation to residential property markets, besides the property itself, what market data do you monitor?

Banking and finance, bank of england economic forecasting and trends, changes in the mortgage markets.

8. How important are the following sources of information with regard to your own valuations?

	1 <input checked="" type="checkbox"/> Very Important	2 <input type="checkbox"/> Important	3 <input type="checkbox"/> Relevant	4 <input type="checkbox"/> Irrelevant
Own Transaction Records				
Other practitioner's transaction records	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
House Price Indices	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Local Press	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
National Press	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Market level activity: In house	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
External Sources	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Economic Data	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Demographics	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Inward Investment	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Planning Proposals	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Geological Data	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Nuisances	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Professional Journals/Magazines	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Other _____	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>

9. Do you subscribe to any local or national databases?

1 ☐ Yes
2 ☒ No

10. What kind of economic information do you consider?

Cost of borrowing, ratio of house prices relative to earnings

11. At what level do you consider this information?

Global	1 <input type="checkbox"/> Yes	2 <input checked="" type="checkbox"/> No
International	1 <input type="checkbox"/> Yes	2 <input checked="" type="checkbox"/> No
National	1 <input checked="" type="checkbox"/> Yes	2 <input type="checkbox"/> No
Local	1 <input checked="" type="checkbox"/> Yes	2 <input type="checkbox"/> No

12. How important are the following in the valuation process?

Database of property values	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Awareness of:				
Market activity	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Current planning proposals	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Development proposals	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Local geological influences	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Local schooling	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Bad neighbours & contamination	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Employment opportunities	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Closure in industry	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Financial incentives	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Knowledge of:				
Neighbourhoods and facilities	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Price variation	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
House price movements	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Network of contacts	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Others _____	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>

13. If you have any further comments in relation to the questions contained in this questionnaire, please feel free to add them below.

1. How long have you been undertaking residential mortgage valuations?

15 years

2. How much of your professional knowledge is attributable to?

On-the-job Experience	<input type="text" value="50"/> %
Formal Education	<input type="text" value="25"/> %
Continued Professional Development	<input type="text" value="25"/> %

3. Are you affiliated to any professional organisation?

RICS

4. Do you undertake valuations for any of the main mortgage lenders?

1 ☒ Yes
2 ☐ No

5. What do you think is important in relation to value, that is the key attributes or factors?

Location, accommodation and size, condition, type of construction

6. Please rank the importance of the following factors in the valuation process ranging from the most important (1) to the least important (14).

Property Specific Factors

Location

Buyer Behaviour

Environmental Impacts

Legal Issues

Economically Active Area

Employment Opportunities

Energy Efficiency

Neighbourhood

Technological Factors

Demographics

Planning & Development

Government Policy

Financial Variables

Valuation Expert Questionnaire

7. In relation to residential property markets, besides the property itself, what market data do you monitor?

Nationwide and Halifax house price indices, Land Registry Data

8. How important are the following sources of information with regard to your own valuations?

	1 <input checked="" type="checkbox"/> Very Important	2 <input type="checkbox"/> Important	3 <input type="checkbox"/> Relevant	4 <input type="checkbox"/> Irrelevant
Own Transaction Records	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Other practitioner's transaction records	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
House Price Indices	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input checked="" type="checkbox"/>
Local Press	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
National Press	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input checked="" type="checkbox"/>
Market level activity: In house	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
External Sources	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Economic Data	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input checked="" type="checkbox"/>
Demographics	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input checked="" type="checkbox"/>
Inward Investment	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input checked="" type="checkbox"/>
Planning Proposals	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Geological Data	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Nuisances	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Professional Journals/Magazines	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input checked="" type="checkbox"/>
Other _____	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>

9. Do you subscribe to any local or national databases?

1 ☐ Yes
2 ☒ No

10. What kind of economic information do you consider?

None on a day to day basis

11. At what level do you consider this information?

Global	1 <input type="checkbox"/> Yes	2 <input checked="" type="checkbox"/> No
International	1 <input type="checkbox"/> Yes	2 <input checked="" type="checkbox"/> No
National	1 <input type="checkbox"/> Yes	2 <input checked="" type="checkbox"/> No
Local	1 <input type="checkbox"/> Yes	2 <input checked="" type="checkbox"/> No

Valuation Expert Questionnaire

12. How important are the following in the valuation process?

Database of property values	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Awareness of:				
Market activity	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Current planning proposals	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Development proposals	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Local geological influences	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Local schooling	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Bad neighbours & contamination	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Employment opportunities	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input checked="" type="checkbox"/>
Closure in industry	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Financial incentives	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Knowledge of:				
Neighbourhoods and facilities	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Price variation	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
House price movements	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Network of contacts	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Others _____	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>

13. If you have any further comments in relation to the questions contained in this questionnaire, please feel free to add them below.

1. How long have you been undertaking residential mortgage valuations?

15 years

2. How much of your professional knowledge is attributable to?

On-the-job Experience	<div style="border: 1px solid black; padding: 2px;">50</div> %
Formal Education	<div style="border: 1px solid black; padding: 2px;">30</div> %
Continued Professional Development	<div style="border: 1px solid black; padding: 2px;">20</div> %

3. Are you affiliated to any professional organisation?

RICS

4. Do you undertake valuations for any of the main mortgage lenders?

1 ☒ Yes
2 ☐ No

5. What do you think is important in relation to value, that is the key attributes or factors?

Location Condition Facilities Employment Environment

6. Please rank the importance of the following factors in the valuation process ranging from the most important (1) to the least important (14).

- | | |
|---|--|
| <div style="border: 1px solid black; padding: 2px;">1</div> Property Specific Factors | <div style="border: 1px solid black; padding: 2px;">5</div> Energy Efficiency |
| <div style="border: 1px solid black; padding: 2px;">1</div> Location | <div style="border: 1px solid black; padding: 2px;">3</div> Neighbourhood |
| <div style="border: 1px solid black; padding: 2px;">7</div> Buyer Behaviour | <div style="border: 1px solid black; padding: 2px;">10</div> Technological Factors |
| <div style="border: 1px solid black; padding: 2px;">2</div> Environmental Impacts | <div style="border: 1px solid black; padding: 2px;">3</div> Demographics |
| <div style="border: 1px solid black; padding: 2px;">10</div> Legal Issues | <div style="border: 1px solid black; padding: 2px;">7</div> Planning & Development |
| <div style="border: 1px solid black; padding: 2px;">4</div> Economically Active Area | <div style="border: 1px solid black; padding: 2px;">10</div> Government Policy |
| <div style="border: 1px solid black; padding: 2px;">4</div> Employment Opportunities | <div style="border: 1px solid black; padding: 2px;">10</div> Financial Variables |

Valuation Expert Questionnaire

7. In relation to residential property markets, besides the property itself, what market data do you monitor?

Comparable transactions
House price index
House Building Costs

8. How important are the following sources of information with regard to your own valuations?

	1 <input checked="" type="checkbox"/> Very Important	2 <input type="checkbox"/> Important	3 <input type="checkbox"/> Relevant	4 <input type="checkbox"/> Irrelevant
Own Transaction Records	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Other practitioner's transaction records	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
House Price Indices	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Local Press	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
National Press	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Market level activity: In house	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
External Sources	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Economic Data	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Demographics	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Inward Investment	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Planning Proposals	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Geological Data	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Nuisances	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Professional Journals/Magazines	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Other _____	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>

9. Do you subscribe to any local or national databases?

1 ☒ Yes
2 ☐ No

10. What kind of economic information do you consider?

Lending/investment rates
Employment opportunities
Building costs

11. At what level do you consider this information?

Global	1 <input type="checkbox"/> Yes	2 <input checked="" type="checkbox"/> No
International	1 <input type="checkbox"/> Yes	2 <input checked="" type="checkbox"/> No
National	1 <input checked="" type="checkbox"/> Yes	2 <input type="checkbox"/> No
Local	1 <input checked="" type="checkbox"/> Yes	2 <input type="checkbox"/> No

Valuation Expert Questionnaire

12. How important are the following in the valuation process?

Database of property values	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Awareness of:				
Market activity	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Current planning proposals	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Development proposals	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Local geological influences	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Local schooling	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Bad neighbours & contamination	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Employment opportunities	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Closure in industry	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Financial incentives	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Knowledge of:				
Neighbourhoods and facilities	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Price variation	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
House price movements	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Network of contacts	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Others _____	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>

13. If you have any further comments in relation to the questions contained in this questionnaire, please feel free to add them below.

1. How long have you been undertaking residential mortgage valuations?

15 years

2. How much of your professional knowledge is attributable to?

On-the-job Experience	<input type="text" value="90"/>	%
Formal Education	<input type="text" value="5"/>	%
Continued Professional Development	<input type="text" value="5"/>	%

3. Are you affiliated to any professional organisation?

RICS

4. Do you undertake valuations for any of the main mortgage lenders?

1 ☒ Yes

2 ☐ No

5. What do you think is important in relation to value, that is the key attributes or factors?

Property condition, supply/demand, area, comparables

6. Please rank the importance of the following factors in the valuation process ranging from the most important (1) to the least important (14).

- | | |
|--|---|
| <input type="text" value="1"/> Property Specific Factors | <input type="text" value="8"/> Energy Efficiency |
| <input type="text" value="2"/> Location | <input type="text" value="3"/> Neighbourhood |
| <input type="text" value="5"/> Buyer Behaviour | <input type="text" value="10"/> Technological Factors |
| <input type="text" value="11"/> Environmental Impacts | <input type="text" value="9"/> Demographics |
| <input type="text" value="12"/> Legal Issues | <input type="text" value="4"/> Planning & Development |
| <input type="text" value="13"/> Economically Active Area | <input type="text" value="14"/> Government Policy |
| <input type="text" value="6"/> Employment Opportunities | <input type="text" value="7"/> Financial Variables |

Valuation Expert Questionnaire

7. In relation to residential property markets, besides the property itself, what market data do you monitor?

Property activity generally

8. How important are the following sources of information with regard to your own valuations?

	1 <input checked="" type="checkbox"/> Very Important	2 <input type="checkbox"/> Important	3 <input type="checkbox"/> Relevant	4 <input type="checkbox"/> Irrelevant
Own Transaction Records	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Other practitioner's transaction records	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
House Price Indices	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Local Press	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
National Press	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Market level activity: In house	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
External Sources	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Economic Data	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Demographics	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Inward Investment	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Planning Proposals	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Geological Data	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Nuisances	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Professional Journals/Magazines	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Other _____	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>

9. Do you subscribe to any local or national databases?

1 ☒ Yes
2 ☐ No

10. What kind of economic information do you consider?

Government policy, general economic trends, proposals/bills relating to housing

11. At what level do you consider this information?

Global	1 <input type="checkbox"/> Yes	2 <input checked="" type="checkbox"/> No
International	1 <input type="checkbox"/> Yes	2 <input checked="" type="checkbox"/> No
National	1 <input checked="" type="checkbox"/> Yes	2 <input type="checkbox"/> No
Local	1 <input checked="" type="checkbox"/> Yes	2 <input type="checkbox"/> No

Valuation Expert Questionnaire

12. How important are the following in the valuation process?

Database of property values	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Awareness of:				
Market activity	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Current planning proposals	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Development proposals	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Local geological influences	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Local schooling	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Bad neighbours & contamination	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Employment opportunities	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Closure in industry	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Financial incentives	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Knowledge of:				
Neighbourhoods and facilities	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Price variation	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
House price movements	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Network of contacts	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Others _____	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>

13. If you have any further comments in relation to the questions contained in this questionnaire, please feel free to add them below.

1. How long have you been undertaking residential mortgage valuations? 12 years

2. How much of your professional knowledge is attributable to?

On-the-job Experience	<input type="text" value="60"/> %
Formal Education	<input type="text" value="20"/> %
Continued Professional Development	<input type="text" value="20"/> %

3. Are you affiliated to any professional organisation?

MAVI, ARICS, ASCS

4. Do you undertake valuations for any of the main mortgage lenders?

1 ☒ Yes
2 ☐ No

5. What do you think is important in relation to value, that is the key attributes or factors?

Location, structure, condition, amenities and environemnt.

6. Please rank the importance of the following factors in the valuation process ranging from the most important (1) to the least important (14).

Property Specific Factors

Location

Buyer Behaviour

Environmental Impacts

Legal Issues

Economically Active Area

Employment Opportunities

Energy Efficiency

Neighbourhood

Technological Factors

Demographics

Planning & Development

Government Policy

Financial Variables

Valuation Expert Questionnaire

7. In relation to residential property markets, besides the property itself, what market data do you monitor?

Interest rates, Employment and new industry statistics, any relevant new legislation.

8. How important are the following sources of information with regard to your own valuations?

	1 <input checked="" type="checkbox"/> Very Important	2 <input type="checkbox"/> Important	3 <input type="checkbox"/> Relevant	4 <input type="checkbox"/> Irrelevant
Own Transaction Records	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Other practitioner's transaction records	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
House Price Indices	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Local Press	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
National Press	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Market level activity: In house	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
External Sources	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Economic Data	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Demographics	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Inward Investment	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Planning Proposals	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Geological Data	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Nuisances	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Professional Journals/Magazines	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Other _____	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>

9. Do you subscribe to any local or national databases?

1 ☒ Yes
2 ☐ No

10. What kind of economic information do you consider?

Database subscription to Central Statistics Office.

Trends in employment, interest rates and banking policy for lending, pay increases and salary levels.

11. At what level do you consider this information?

Global	1 <input type="checkbox"/> Yes	2 <input checked="" type="checkbox"/> No
International	1 <input checked="" type="checkbox"/> Yes	2 <input type="checkbox"/> No
National	1 <input checked="" type="checkbox"/> Yes	2 <input type="checkbox"/> No
Local	1 <input checked="" type="checkbox"/> Yes	2 <input type="checkbox"/> No

Valuation Expert Questionnaire

12. How important are the following in the valuation process?

Database of property values	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Awareness of:				
Market activity	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Current planning proposals	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Development proposals	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Local geological influences	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Local schooling	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Bad neighbours & contamination	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Employment opportunities	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Closure in industry	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Financial incentives	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Knowledge of:				
Neighbourhoods and facilities	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Price variation	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
House price movements	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Network of contacts	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Others _____	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>

13. If you have any further comments in relation to the questions contained in this questionnaire, please feel free to add them below.

1. How long have you been undertaking residential mortgage valuations?

10 years

2. How much of your professional knowledge is attributable to?

On-the-job Experience	<input type="text" value="60"/> %
Formal Education	<input type="text" value="20"/> %
Continued Professional Development	<input type="text" value="20"/> %

3. Are you affiliated to any professional organisation?

MAVI

4. Do you undertake valuations for any of the main mortgage lenders?

1 ☒ Yes
2 ☐ No

5. What do you think is important in relation to value, that is the key attributes or factors?

Location, location and location. Standard of construction and decoration.
Maintenance.

6. Please rank the importance of the following factors in the valuation process ranging from the most important (1) to the least important (14).

- | | |
|--|--|
| <input type="text" value="5"/> Property Specific Factors | <input type="text" value="10"/> Energy Efficiency |
| <input type="text" value="2"/> Location | <input type="text" value="4"/> Neighbourhood |
| <input type="text" value="3"/> Buyer Behaviour | <input type="text" value="13"/> Technological Factors |
| <input type="text" value="9"/> Environmental Impacts | <input type="text" value="7"/> Demographics |
| <input type="text" value="8"/> Legal Issues | <input type="text" value="11"/> Planning & Development |
| <input type="text" value="6"/> Economically Active Area | <input type="text" value="12"/> Government Policy |
| <input type="text" value="5"/> Employment Opportunities | <input type="text" value="1"/> Financial Variables |

Valuation Expert Questionnaire

7. In relation to residential property markets, besides the property itself, what market data do you monitor?

Comparative evidence, other practitioners information, property supplement in national press and knowledge of the local area.

8. How important are the following sources of information with regard to your own valuations?

	1 <input checked="" type="checkbox"/> Very Important	2 <input type="checkbox"/> Important	3 <input type="checkbox"/> Relevant	4 <input type="checkbox"/> Irrelevant
Own Transaction Records	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Other practitioner's transaction records	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
House Price Indices	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Local Press	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
National Press	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Market level activity: In house	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
External Sources	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Economic Data	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Demographics	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Inward Investment	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Planning Proposals	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Geological Data	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Nuisances	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Professional Journals/Magazines	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Other _____	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>

9. Do you subscribe to any local or national databases?

1 ☒ Yes
2 ☐ No

10. What kind of economic information do you consider?

Interest rates, government policy, press.

11. At what level do you consider this information?

Global	1 <input type="checkbox"/> Yes	2 <input checked="" type="checkbox"/> No
International	1 <input type="checkbox"/> Yes	2 <input checked="" type="checkbox"/> No
National	1 <input checked="" type="checkbox"/> Yes	2 <input type="checkbox"/> No
Local	1 <input checked="" type="checkbox"/> Yes	2 <input type="checkbox"/> No

Valuation Expert Questionnaire

12. How important are the following in the valuation process?

Database of property values	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Awareness of:				
Market activity	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Current planning proposals	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Development proposals	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Local geological influences	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Local schooling	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Bad neighbours & contamination	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Employment opportunities	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Closure in industry	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Financial incentives	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Knowledge of:				
Neighbourhoods and facilities	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Price variation	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
House price movements	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Network of contacts	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Others _____	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>

13. If you have any further comments in relation to the questions contained in this questionnaire, please feel free to add them below.

1. How long have you been undertaking residential mortgage valuations?

5 years

2. How much of your professional knowledge is attributable to?

On-the-job Experience	<input type="text" value="70"/> %
Formal Education	<input type="text" value="15"/> %
Continued Professional Development	<input type="text" value="15"/> %

3. Are you affiliated to any professional organisation?

MIAVI

4. Do you undertake valuations for any of the main mortgage lenders?

1 ☒ Yes
2 ☐ No

5. What do you think is important in relation to value, that is the key attributes or factors?

Location, price, size, amenities, employment and industry.

6. Please rank the importance of the following factors in the valuation process ranging from the most important (1) to the least important (14).

- | | |
|---|---|
| <input type="checkbox"/> Property Specific Factors | <input type="text" value="7"/> Energy Efficiency |
| <input type="text" value="1"/> Location | <input type="text" value="1"/> Neighbourhood |
| <input type="text" value="4"/> Buyer Behaviour | <input type="text" value="6"/> Technological Factors |
| <input type="text" value="6"/> Environmental Impacts | <input type="text" value="3"/> Demographics |
| <input type="text" value="6"/> Legal Issues | <input type="text" value="4"/> Planning & Development |
| <input type="text" value="3"/> Economically Active Area | <input type="text" value="5"/> Government Policy |
| <input type="text" value="3"/> Employment Opportunities | <input type="text" value="2"/> Financial Variables |

Valuation Expert Questionnaire

7. In relation to residential property markets, besides the property itself, what market data do you monitor?

Previous prices achieved, length of time similar properties are on the market and planning for the area.

8. How important are the following sources of information with regard to your own valuations?

	1 <input type="checkbox"/> Very Important	2 <input checked="" type="checkbox"/> Important	3 <input type="checkbox"/> Relevant	4 <input type="checkbox"/> Irrelevant
Own Transaction Records	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Other practitioner's transaction records	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
House Price Indices	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Local Press	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
National Press	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Market level activity: In house	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
External Sources	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Economic Data	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Demographics	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Inward Investment	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Planning Proposals	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Geological Data	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Nuisances	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Professional Journals/Magazines	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Other _____	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>

9. Do you subscribe to any local or national databases?

1 ☐ Yes

2 ☒ No

10. What kind of economic information do you consider?

Interest rates, government policies and rate of employment.

11. At what level do you consider this information?

Global	1 <input checked="" type="checkbox"/> Yes	2 <input type="checkbox"/> No
International	1 <input checked="" type="checkbox"/> Yes	2 <input type="checkbox"/> No
National	1 <input checked="" type="checkbox"/> Yes	2 <input type="checkbox"/> No
Local	1 <input checked="" type="checkbox"/> Yes	2 <input type="checkbox"/> No

Valuation Expert Questionnaire

12. How important are the following in the valuation process?

Database of property values	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Awareness of:				
Market activity	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Current planning proposals	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Development proposals	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Local geological influences	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Local schooling	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Bad neighbours & contamination	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Employment opportunities	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Closure in industry	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Financial incentives	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Knowledge of:				
Neighbourhoods and facilities	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Price variation	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
House price movements	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Network of contacts	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Others _____	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>

13. If you have any further comments in relation to the questions contained in this questionnaire, please feel free to add them below.

1. How long have you been undertaking residential mortgage valuations?

28 years

2. How much of your professional knowledge is attributable to?

On-the-job Experience	<input type="text" value="70"/> %
Formal Education	<input type="text" value="10"/> %
Continued Professional Development	<input type="text" value="20"/> %

3. Are you affiliated to any professional organisation?

MIPAV

4. Do you undertake valuations for any of the main mortgage lenders?

1 ☒ Yes
2 ☐ No

5. What do you think is important in relation to value, that is the key attributes or factors?

Location and condition.

6. Please rank the importance of the following factors in the valuation process ranging from the most important (1) to the least important (14).

- | | |
|--|---|
| <input type="text" value="5"/> Property Specific Factors | <input type="text" value="12"/> Energy Efficiency |
| <input type="text" value="1"/> Location | <input type="text" value="2"/> Neighbourhood |
| <input type="text" value="8"/> Buyer Behaviour | <input type="text" value="11"/> Technological Factors |
| <input type="text" value="6"/> Environmental Impacts | <input type="text" value="10"/> Demographics |
| <input type="text" value="14"/> Legal Issues | <input type="text" value="9"/> Planning & Development |
| <input type="text" value="3"/> Economically Active Area | <input type="text" value="13"/> Government Policy |
| <input type="text" value="4"/> Employment Opportunities | <input type="text" value="7"/> Financial Variables |

Valuation Expert Questionnaire

7. In relation to residential property markets, besides the property itself, what market data do you monitor?

Comparative values, economic situation in the area, interest rates, planning and development relevant to the location.

8. How important are the following sources of information with regard to your own valuations?

	1 <input checked="" type="checkbox"/> Very Important	2 <input type="checkbox"/> Important	3 <input type="checkbox"/> Relevant	4 <input type="checkbox"/> Irrelevant
Own Transaction Records	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Other practitioner's transaction records	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
House Price Indices	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Local Press	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
National Press	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Market level activity: In house	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
External Sources	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Economic Data	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Demographics	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Inward Investment	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Planning Proposals	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Geological Data	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input checked="" type="checkbox"/>
Nuisances	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Professional Journals/Magazines	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Other _____	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>

9. Do you subscribe to any local or national databases?

1 ☐ Yes
2 ☒ No

10. What kind of economic information do you consider?

General knowledge gleaned from business pages and property pages of national newspapers and journals.

11. At what level do you consider this information?

Global	1 <input type="checkbox"/> Yes	2 <input checked="" type="checkbox"/> No
International	1 <input type="checkbox"/> Yes	2 <input checked="" type="checkbox"/> No
National	1 <input checked="" type="checkbox"/> Yes	2 <input type="checkbox"/> No
Local	1 <input checked="" type="checkbox"/> Yes	2 <input type="checkbox"/> No

Valuation Expert Questionnaire

12. How important are the following in the valuation process?

Database of property values	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Awareness of:				
Market activity	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Current planning proposals	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Development proposals	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Local geological influences	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Local schooling	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Bad neighbours & contamination	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Employment opportunities	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Closure in industry	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Financial incentives	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Knowledge of:				
Neighbourhoods and facilities	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Price variation	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
House price movements	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Network of contacts	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Others _____	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>

13. If you have any further comments in relation to the questions contained in this questionnaire, please feel free to add them below.

1. How long have you been undertaking residential mortgage valuations?

10 years

2. How much of your professional knowledge is attributable to?

On-the-job Experience	<u>60</u> %
Formal Education	<u>30</u> %
Continued Professional Development	<u>10</u> %

3. Are you affiliated to any professional organisation?

API

4. Do you undertake valuations for any of the main mortgage lenders?

1 ☒ Yes
2 ☐ No

5. What do you think is important in relation to value, that is the key attributes or factors?

Location, proeprty specifics including design, presentation and the fixtures and fittings. Zoning and the local economy. Government policy e.g. introduction of GST.

6. Please rank the importance of the following factors in the valuation process ranging from the most important (1) to the least important (14).

- | | |
|------------------------------------|---------------------------------|
| <u>3</u> Property Specific Factors | <u>14</u> Energy Efficiency |
| <u>1</u> Location | <u>5</u> Neighbourhood |
| <u>4</u> Buyer Behaviour | <u>13</u> Technological Factors |
| <u>6</u> Environmental Impacts | <u>7</u> Demographics |
| <u>12</u> Legal Issues | <u>2</u> Planning & Development |
| <u>11</u> Economically Active Area | <u>8</u> Government Policy |
| <u>9</u> Employment Opportunities | <u>10</u> Financial Variables |

Valuation Expert Questionnaire

7. In relation to residential property markets, besides the property itself, what market data do you monitor?

Sales prices are collected for all areas over time and trends are identified from our analysis of the data on the basis of suburbs, volume and saleprice sectors.

8. How important are the following sources of information with regard to your own valuations?

	1 <input checked="" type="checkbox"/> Very Important	2 <input type="checkbox"/> Important	3 <input type="checkbox"/> Relevant	4 <input type="checkbox"/> Irrelevant
Own Transaction Records				
Other practitioner's transaction records	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
House Price Indices	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Local Press	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input checked="" type="checkbox"/>
National Press	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input checked="" type="checkbox"/>
Market level activity: In house	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
External Sources	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Economic Data	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Demographics	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Inward Investment	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Planning Proposals	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Geological Data	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Nuisances	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Professional Journals/Magazines	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Other _____	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>

9. Do you subscribe to any local or national databases?

1 ☒ Yes
2 ☐ No

10. What kind of economic information do you consider?

Consumer spending power, inflation and interest rates to some degree.

11. At what level do you consider this information?

Global	1 <input type="checkbox"/> Yes	2 <input checked="" type="checkbox"/> No
International	1 <input type="checkbox"/> Yes	2 <input checked="" type="checkbox"/> No
National	1 <input checked="" type="checkbox"/> Yes	2 <input type="checkbox"/> No
Local	1 <input checked="" type="checkbox"/> Yes	2 <input type="checkbox"/> No

Valuation Expert Questionnaire

12. How important are the following in the valuation process?

Database of property values	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Awareness of:				
Market activity	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Current planning proposals	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Development proposals	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Local geological influences	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Local schooling	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Bad neighbours & contamination	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Employment opportunities	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Closure in industry	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Financial incentives	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Knowledge of:				
Neighbourhoods and facilities	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Price variation	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
House price movements	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Network of contacts	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Others _____	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>

13. If you have any further comments in relation to the questions contained in this questionnaire, please feel free to add them below.

The Toowoomba market is fairly localised in the city is basically an educational and rural service provider. Consequently, any influences of a national or global nature are fairly indirect, or may take time to make any real impact.

1. How long have you been undertaking residential mortgage valuations?

8 years

2. How much of your professional knowledge is attributable to?

On-the-job Experience	<input type="text" value="70"/> %
Formal Education	<input type="text" value="20"/> %
Continued Professional Development	<input type="text" value="10"/> %

3. Are you affiliated to any professional organisation?

Australian Property Institute

4. Do you undertake valuations for any of the main mortgage lenders?

1 ☒ Yes
2 ☐ No

5. What do you think is important in relation to value, that is the key attributes or factors?

The location and physical attributes, town planning, highest and best use of
land, state of market, market data.

6. Please rank the importance of the following factors in the valuation process ranging from the most important (1) to the least important (14).

- | | |
|--|---|
| <input type="text" value="3"/> Property Specific Factors | <input type="text" value="12"/> Energy Efficiency |
| <input type="text" value="1"/> Location | <input type="text" value="2"/> Neighbourhood |
| <input type="text" value="6"/> Buyer Behaviour | <input type="text" value="13"/> Technological Factors |
| <input type="text" value="14"/> Environmental Impacts | <input type="text" value="7"/> Demographics |
| <input type="text" value="5"/> Legal Issues | <input type="text" value="4"/> Planning & Development |
| <input type="text" value="11"/> Economically Active Area | <input type="text" value="9"/> Government Policy |
| <input type="text" value="10"/> Employment Opportunities | <input type="text" value="8"/> Financial Variables |

Valuation Expert Questionnaire

7. In relation to residential property markets, besides the property itself, what market data do you monitor?

Recent sales in immediate area, supply and demand ascertained from real estate agents.

8. How important are the following sources of information with regard to your own valuations?

	1 <input checked="" type="checkbox"/> Very Important	2 <input type="checkbox"/> Important	3 <input type="checkbox"/> Relevant	4 <input type="checkbox"/> Irrelevant
Own Transaction Records	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Other practitioner's transaction records	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
House Price Indices	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Local Press	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
National Press	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Market level activity: In house	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
External Sources	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Economic Data	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Demographics	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Inward Investment	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Planning Proposals	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Geological Data	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Nuisances	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Professional Journals/Magazines	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Other _____	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>

9. Do you subscribe to any local or national databases?

1 ☒ Yes
2 ☐ No

10. What kind of economic information do you consider?

Interest rates; building approvals; and, taxation policy.

11. At what level do you consider this information?

Global	1 <input type="checkbox"/> Yes	2 <input checked="" type="checkbox"/> No
International	1 <input type="checkbox"/> Yes	2 <input checked="" type="checkbox"/> No
National	1 <input checked="" type="checkbox"/> Yes	2 <input type="checkbox"/> No
Local	1 <input checked="" type="checkbox"/> Yes	2 <input type="checkbox"/> No

Valuation Expert Questionnaire

12. How important are the following in the valuation process?

Database of property values	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Awareness of:				
Market activity	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Current planning proposals	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Development proposals	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Local geological influences	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Local schooling	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Bad neighbours & contamination	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Employment opportunities	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Closure in industry	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Financial incentives	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Knowledge of:				
Neighbourhoods and facilities	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Price variation	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
House price movements	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Network of contacts	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Others _____	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>

13. If you have any further comments in relation to the questions contained in this questionnaire, please feel free to add them below.

1. How long have you been undertaking residential mortgage valuations?

5 years

2. How much of your professional knowledge is attributable to?

On-the-job Experience	<input type="text" value="45"/> %
Formal Education	<input type="text" value="50"/> %
Continued Professional Development	<input type="text" value="5"/> %

3. Are you affiliated to any professional organisation?

Registered Valuer in the State of Queensland and API.

4. Do you undertake valuations for any of the main mortgage lenders?

1 ☒ Yes
2 ☐ No

5. What do you think is important in relation to value, that is the key attributes or factors?

Good quality, well located, well constructed and maintained property. Markets
reflect consumer preferences which tend to be reflected in pricing.
Depreciation is an important factor with many dwellings lacking maintenance
and renovation. A poorly located property with termites can be a financial
black hole.

6. Please rank the importance of the following factors in the valuation process ranging from the most important (1) to the least important (14).

- | | |
|--|---|
| <input type="text" value="2"/> Property Specific Factors | <input type="text" value="12"/> Energy Efficiency |
| <input type="text" value="1"/> Location | <input type="text" value="4"/> Neighbourhood |
| <input type="text" value="3"/> Buyer Behaviour | <input type="text" value="10"/> Technological Factors |
| <input type="text" value="11"/> Environmental Impacts | <input type="text" value="7"/> Demographics |
| <input type="text" value="13"/> Legal Issues | <input type="text" value="9"/> Planning & Development |
| <input type="text" value="5"/> Economically Active Area | <input type="text" value="14"/> Government Policy |
| <input type="text" value="6"/> Employment Opportunities | <input type="text" value="8"/> Financial Variables |

Valuation Expert Questionnaire

7. In relation to residential property markets, besides the property itself, what market data do you monitor?

Interest rates, retail sales including car sales as an economic indicator. Unemployment rates, growth and participation impact on effective demand for housing as does immigration policy. Building approvals and building materials costs. Inflation rates, professional journals and reviews, contact with other agents.

8. How important are the following sources of information with regard to your own valuations?

	1 <input type="checkbox"/> Very Important	2 <input type="checkbox"/> Important	3 <input checked="" type="checkbox"/> Relevant	4 <input type="checkbox"/> Irrelevant
Own Transaction Records	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input checked="" type="checkbox"/>
Other practitioner's transaction records	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input checked="" type="checkbox"/>
House Price Indices	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Local Press	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
National Press	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Market level activity: In house	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
External Sources	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Economic Data	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Demographics	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Inward Investment	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Planning Proposals	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Geological Data	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Nuisances	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Professional Journals/Magazines	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Other _____	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>

9. Do you subscribe to any local or national databases?

1 ☒ Yes
2 ☐ No

10. What kind of economic information do you consider?

Interest rates, unemployment rate, employment growth, retail figures, building approvals, financial institution approvals figures.

Local information e.g. meatworks closure in Murgon represented the loss of the major employer and financial distress of many local business creditors.

11. At what level do you consider this information?

Global	1 <input checked="" type="checkbox"/> Yes	2 <input type="checkbox"/> No
International	1 <input checked="" type="checkbox"/> Yes	2 <input type="checkbox"/> No
National	1 <input checked="" type="checkbox"/> Yes	2 <input type="checkbox"/> No
Local	1 <input checked="" type="checkbox"/> Yes	2 <input type="checkbox"/> No

Valuation Expert Questionnaire

12. How important are the following in the valuation process?

Database of property values	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Awareness of:				
Market activity	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Current planning proposals	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Development proposals	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Local geological influences	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Local schooling	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Bad neighbours & contamination	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Employment opportunities	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Closure in industry	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Financial incentives	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Knowledge of:				
Neighbourhoods and facilities	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Price variation	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
House price movements	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Network of contacts	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Others _____	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>

13. If you have any further comments in relation to the questions contained in this questionnaire, please feel free to add them below.

1. How long have you been undertaking residential mortgage valuations?

5 years

2. How much of your professional knowledge is attributable to?

On-the-job Experience	<input type="text" value="80"/> %
Formal Education	<input type="text" value="15"/> %
Continued Professional Development	<input type="text" value="5"/> %

3. Are you affiliated to any professional organisation?

Australian Property Institute

4. Do you undertake valuations for any of the main mortgage lenders?

1 ☒ Yes
2 ☐ No

5. What do you think is important in relation to value, that is the key attributes or factors?

Size, presentation, location, ancillary improvements, market activity/trends

6. Please rank the importance of the following factors in the valuation process ranging from the most important (1) to the least important (14).

- | | |
|--|---|
| <input type="text" value="1"/> Property Specific Factors | <input type="text" value="14"/> Energy Efficiency |
| <input type="text" value="2"/> Location | <input type="text" value="3"/> Neighbourhood |
| <input type="text" value="5"/> Buyer Behaviour | <input type="text" value="12"/> Technological Factors |
| <input type="text" value="8"/> Environmental Impacts | <input type="text" value="9"/> Demographics |
| <input type="text" value="10"/> Legal Issues | <input type="text" value="6"/> Planning & Development |
| <input type="text" value="4"/> Economically Active Area | <input type="text" value="13"/> Government Policy |
| <input type="text" value="11"/> Employment Opportunities | <input type="text" value="7"/> Financial Variables |

Valuation Expert Questionnaire

7. In relation to residential property markets, besides the property itself, what market data do you monitor?

Sales activity; enquiry with real estate agents; selling periods; study of building approvals; and, interest rates.

8. How important are the following sources of information with regard to your own valuations?

	1 <input checked="" type="checkbox"/> Very Important	2 <input type="checkbox"/> Important	3 <input type="checkbox"/> Relevant	4 <input type="checkbox"/> Irrelevant
Own Transaction Records				
Other practitioner's transaction records	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
House Price Indices	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Local Press	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
National Press	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Market level activity: In house	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
External Sources	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Economic Data	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Demographics	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Inward Investment	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Planning Proposals	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Geological Data	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Nuisances	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Professional Journals/Magazines	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Other _____	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>

9. Do you subscribe to any local or national databases?

1 ☒ Yes
2 ☐ No

10. What kind of economic information do you consider?

Interest rates, building approvals, government taxation (GST)

11. At what level do you consider this information?

Global	1 <input type="checkbox"/> Yes	2 <input checked="" type="checkbox"/> No
International	1 <input type="checkbox"/> Yes	2 <input checked="" type="checkbox"/> No
National	1 <input checked="" type="checkbox"/> Yes	2 <input type="checkbox"/> No
Local	1 <input checked="" type="checkbox"/> Yes	2 <input type="checkbox"/> No

Valuation Expert Questionnaire

12. How important are the following in the valuation process?

Database of property values	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Awareness of:				
Market activity	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Current planning proposals	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Development proposals	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Local geological influences	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Local schooling	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Bad neighbours & contamination	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Employment opportunities	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Closure in industry	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Financial incentives	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Knowledge of:				
Neighbourhoods and facilities	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Price variation	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
House price movements	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Network of contacts	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Others _____	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>

13. If you have any further comments in relation to the questions contained in this questionnaire, please feel free to add them below.

1. How long have you been undertaking residential mortgage valuations? 7 years

2. How much of your professional knowledge is attributable to?

On-the-job Experience	<u>60</u> %
Formal Education	<u>20</u> %
Continued Professional Development	<u>20</u> %

3. Are you affiliated to any professional organisation?

API

Urban developemnt Institue of Australia

4. Do you undertake valuations for any of the main mortgage lenders?

1 ☒ Yes

2 ☐ No

5. What do you think is important in relation to value, that is the key attributes or factors?

Location, construction, presentation, state of the market, consumer confidence

6. Please rank the importance of the following factors in the valuation process ranging from the most important (1) to the least important (14).

3 Property Specific Factors

1 Location

13 Buyer Behaviour

10 Environmental Impacts

8 Legal Issues

5 Economically Active Area

12 Employment Opportunities

14 Energy Efficiency

2 Neighbourhood

9 Technological Factors

7 Demographics

4 Planning & Development

6 Government Policy

11 Financial Variables

Valuation Expert Questionnaire

7. In relation to residential property markets, besides the property itself, what market data do you monitor?

What is happening in the specific location - road updates, new buildings or major subdivision, shopping centre construction

8. How important are the following sources of information with regard to your own valuations?

	1 <input checked="" type="checkbox"/> Very Important	2 <input type="checkbox"/> Important	3 <input type="checkbox"/> Relevant	4 <input type="checkbox"/> Irrelevant
Own Transaction Records	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Other practitioner's transaction records	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
House Price Indices	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Local Press	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
National Press	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Market level activity: In house	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
External Sources	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Economic Data	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Demographics	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Inward Investment	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Planning Proposals	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Geological Data	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Nuisances	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Professional Journals/Magazines	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Other _____	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>

9. Do you subscribe to any local or national databases?

1 ☒ Yes
2 ☐ No

10. What kind of economic information do you consider?

CPI, local/national consumer confidence, employment figures (national) and retail expenditure.

11. At what level do you consider this information?

Global	1 <input checked="" type="checkbox"/> Yes	2 <input type="checkbox"/> No
International	1 <input checked="" type="checkbox"/> Yes	2 <input type="checkbox"/> No
National	1 <input checked="" type="checkbox"/> Yes	2 <input type="checkbox"/> No
Local	1 <input checked="" type="checkbox"/> Yes	2 <input type="checkbox"/> No

Valuation Expert Questionnaire

12. How important are the following in the valuation process?

Database of property values	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Awareness of:				
Market activity	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Current planning proposals	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Development proposals	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Local geological influences	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Local schooling	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Bad neighbours & contamination	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Employment opportunities	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input checked="" type="checkbox"/>
Closure in industry	1 <input type="checkbox"/>	2 <input checked="" type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Financial incentives	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input checked="" type="checkbox"/>	4 <input type="checkbox"/>
Knowledge of:				
Neighbourhoods and facilities	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Price variation	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
House price movements	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Network of contacts	1 <input checked="" type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>
Others _____	1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>

13. If you have any further comments in relation to the questions contained in this questionnaire, please feel free to add them below.

Appendix XI Papers Published during the Research

**Paper Presented to ERES/AREUEA Doctoral Session, June 10, 1998,
Maastricht University, Netherlands.**

Consumer Behaviour in Residential Property

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Jenkins, MPhil, BSc, FSVA

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Abstract

The property valuation process is based on the experience gained by the valuer while valuing comparable properties. As it stands the comparative method is viewed by both academics and members of the British property profession as being imprecise and subjective (Scott, 1988; Wiltshaw, 1991).

This study proposes to analyse the decision process from the consumers' viewpoint and define categorically the attributes which consumers place value upon.

Initial work will build on previous studies by (Adair, 1992; Adair et al., 1996); their hypothesis was that valuers consider value elements in the same way as buyers, which proved to be incorrect – there are statistically significant differences between buyers and valuers across the salient variables studied.

In 1996 Savills published the results of their Survey of 'New Home Buyers' and The Real Estate Institute of Queensland published a report on 'What Makes Buyers Tick?' The Australian research concentrates on marketing methods and the effectiveness of these marketing strategies while the Savills report focused on what buyers want in new homes, which will be most helpful to the developers of property, and new homes. What the two reports have in common is that they both stress the need for further research in to purchaser decision-making as related to the property industry.

If valuers want to improve the quality of service they can offer and maintain their professional standing they must adopt a behavioural perspective.

This paper will examine the UK housing market and valuation methodology. The justification for undertaking a behavioural study will be underlined. Also the reasons for adopting a qualitative research approach will be explained and why a comparative study is necessary. The choice of countries for comparison will also be outlined.

Introduction

A property's value is determined in the market, and therefore reflects the interaction of supply and demand. Almond (1997b) suggests that valuers frequently fail to note explicitly demand-side (market) related variables in their analysis. If valuation accuracy levels are to improve further research into market behaviour, in particular buyer behaviour is required.

The aims of the research are as follows:

- to conduct a comparative study identifying the attributes which consumers' consider to impact upon value.
- to examine the decision process from the consumers' viewpoint and how this process affects vacant possession residential property values.
- to undertake a cross-national comparative study that produces best practice recommendations based on the three countries which the valuer should incorporate into the valuation process.

UK Housing Market and Valuation Methodology

The collapse of the UK housing market in the late 1980's/early 1990's led to a situation in which up to 1.7 million people were affected by negative equity (Millward, 1996) and many thousands were subjected to repossession orders following default on their mortgages. These events, which occurred following the significant rise in house prices during the late 1980's, led both academics and professionals to further consider the accuracy and methods of valuations.

A review by the Royal Institution of Chartered Surveyors (RICS) led to the revision of guidance to valuers in the new Red Book (RICS, 1995). Such activity has not addressed the fundamental problems associated with residential appraisal in the UK.

Given that the information on sales is not readily available from the Land Registry or Inland Revenue in England and Wales, valuers must rely on their own valuations, those of colleagues, or potentially less reliable information supplied by third parties.

At the heart of valuation is data. For Direct Capital Comparison (DCC) this is evidence of recent sales in the market place. The widespread use of DCC compared to other valuation methods (i.e. cost, income or residual) lies in the fact that evidence of past sales provides the best guide as to the likely value of a property, and evidence of any market changes.

According to Mackmin (1985), the valuation process is a simple one, comprising four stages:

- Select comparables.
- Extract, confirm and analyse comparable sale prices.
- Adjust sales for noted differences.
- Formulate an opinion of OMV for the subject property.

The current process relies on the subjective opinions of the individual valuer. This is contrary both to theory, which suggests the use of an adjustment grid, and practice elsewhere. Such practices should be introduced in the UK, as it provides clients with details, not only on which comparables were used, but also justification for any adjustments made for differences in the comparable against the subject property. The wider use of demand side data should also be encompassed (Almond, 1997a).

Almond (1997b), further suggest that a typical inspection will provide the valuer with more information on the property than is required for the valuation. A greater problem is the poor use of this data within the analysis stage of the process. Whilst a large amount of information on the property is recorded, there is no systematic recognition of the wider set of attributes that impact on value.

The comparative method of valuation is regarded as a reliable and accurate technique for valuing property in both Britain and America. Such wide acceptance stems from the fact that the method is based on market prices, which are seen as the best indicators of value. The main appeal of the method lies in its apparent objectivity. Buyers and sellers in an open market determine prices, regarded as the outcome of interplay of economic forces of demand and supply.

The skill of the valuer rests in the selection of comparable properties and the recognition of key variables in order to arrive at a value for the subject property (Grissom, 1991). Analysis of the variables and adjustments to the sale price of the comparables are based on the valuer's judgement and expertise in interpreting buyer behaviour.

Valuers traditionally categorise variables into two broad groups, namely those which are external and those which are internal to the property. They are reluctant to explain how they analyse variables (Mackmin, 1985), and instead place emphasis on the importance of understanding the operation of property markets. Indeed the absence of rigour within the technique has led to ongoing and stringent criticism of conventional valuation methodology (DeLisle, 1985; Wiltshaw, 1991).

Greaves (1984) implies that valuers have less than a full understanding of how variables behave in contributing to the value of residential property. The assumption that each variable operates independently of all others, while simplifying the valuation procedure, does not reflect the real-world complexities of the market. Hence valuers have a weak defence to the accusation of not analysing interrelationships and interdependencies among variables. Valuers have only a limited knowledge regarding whether variables operate uniformly across the market. For example, there has been little systematic examination of which variables operate at the lower end of the market, as distinct from those influencing the value of higher priced property (Adair and McGreal, 1988; Greaves, 1984). More specifically, Greaves criticises valuers for not advancing knowledge on the importance of qualitative variables.

Behaviouralism

One explanation of the lack of analysis in traditional valuation approaches stems from inefficiency in the housing market; in particular the problem of inadequate data on comparable sales continues to undermine practice in the UK (Mackmin, 1985; Wiltshaw, 1991). In the absence of an efficient market and the lack of price and other information for comparable property, the valuer is forced to rely on subjective judgement drawn from experience and knowledge of the local market.

The analysis presented by Adair et al., (1996) forwards the argument that buyers and valuers perceive differently the relative importance of price/value influencing factors. Regarding the scoring of variables, it is apparent that there are statistically significant differences between buyers and valuers across most of the salient variables.

The rejection of the hypothesis that there is no significant differences in the scoring and ranking of variables at each market level questions the validity of the premise that valuers interpret the market in terms of buyer behaviour. Indeed, interpretation of mean scores and ranks suggest that valuers do not consider the variables in the same way as buyers.

The case argued by Adair suggests that there is a divergence between both distributions, which is severe enough to question the contention that valuations are accurate to within 5 per cent of transaction price. Rather it is proposed that a 10 per cent threshold is more applicable.

Should valuers wish to improve valuation accuracy levels vis-à-vis the market, then a greater awareness ought to be shown of the factors that influence the buyers' decision-making process (Adair et al, 1996).

In 1972 Ratcliff identified explicitly two distinct schools of appraisal thought. The first school concentrated on the mechanics of appraisal, addressing the pragmatic issues surrounding individual appraisal applications. The second school concentrated on theoretical issues, addressing the extension of behaviouralism to appraisal. Ranges of practitioners and theoreticians interested in the continued evolution of the appraisal

have called for a greater understanding of market behaviour. They contend that behaviouralism is consistent with the objectivity criterion since accurate predictions of the results of the market's price-setting processes are contingent on an understanding of market dynamics.

The objective of an appraisal is to predict the most probable price for specified real estate interests. The ultimate price will be the result of action by market participants who may be affected significantly by a wide range of externalities.

Without an understanding of consumer behaviour appraisers do not have a systematic methods for identifying the different impacts of such forces across market segments. To increase the reliability and sensitivity of the residential appraisal process, appraisers must develop greater understanding of what types of externalities affect specific real estate markets and to what extent prices are affected.

One consensus has been maintained throughout the evolution of appraisal: appraisals must be objective. An appraisal value should not be biased by the subjective beliefs of the appraiser.

Appraisers in the past have attempted to achieve objectivity by focusing on the "average" buyer's mentality. This generalist approach lacks the precision gained by focusing on the most probable buyer for a particular property. Unless such perspectives are adopted appraisals will reflect a normative position, drawing on generalised beliefs rather than on the relevant market's standard.

The behavioural approach requires simulation of participant behaviour, and its essence lies within value theory. Value theory addresses the question of why an asset has worth. For any asset to have worth it must have utility. There must be a limited supply of assets with this use, there must be demand for this use, and ownership of the asset must be transferable (Grissom, 1991).

When comparables are abundant, the attributes that give asset worth need not be as explicitly identified because their impact is usually seen clearly in the sale prices they generate.

When a simulation approach is used to analyse assets in an inactive market, underlying value attributes should be identified, and valuation techniques must address them.

The behavioural process begins with value theory, progresses through valuation theory, and consists of the following steps:

- Any property has specific attributes that appeal to specific types of investors or consumers. By examining the property, these value attributes are identified.
- Groups of potential investors or consumers are characterised.
- The decision-making processes of the probable group of buyers are identified. The judgements and estimates of these potential buyers should be replicated. The consumers return requirements can be used estimate the buyer's retention price (the investment value of the property). In a strong buyer's market, the estimate is also an indication of the probable selling price.
- In a down market the existing debt may exceed the buyer's retention price. The most probable selling price will fall between the buyer's and seller's retention price.

The simulation must begin with an identification of the property characteristics that make it valuable and continue with a profile of the most probable buyers and their decision criteria.

Comparative Research

The twin goals of comparative research - both to explain and interpret macrosocial variation, (Ragin, 1987).

Comparative research is an evolving topic, focused around the theme of comparing countries under the umbrella term 'cross-national' study.

As nation-states developed, so too did the opportunities for cross-national research. With increases in communications and technological advances, the world is 'getting

smaller'. The development in mass communications has provided for the mediation of different cultural representations across national boundaries.

Given this diversity, accompanied by increases in mass communications and the work of multinational companies and international markets, Giddens (1990) refers to a process of 'globalisation':

Globalisation can thus be defined as the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa.

Research has followed this process as an increased generation of information has accompanied these transformations. Insights into our own lives are thought to be enhanced by studying the ways in which different cultures and societies organise their social and political affairs and everyday lives.

One aim of comparative research, therefore, is to understand and explain ways in which different societies and cultures experience and act upon social, economic and political changes.

While cross-national comparative research is a growing phenomenon, we all use the idea of comparison when making judgements in everyday life and the practice of social and natural sciences is inconceivable without it.

Within societies there are ethnic and cultural differences which governments and the general public cannot afford to ignore, nor researchers gloss over if their aim is systematic understanding and explanation.

There are several benefits of undertaking comparative research including:

The import-mirror view suggests that the project of comparative analysis is worthwhile because in producing findings on the practices of other countries we are better able to see the basis of our own practices. This also allows us to reflect upon our own social systems and cultural ways of behaving. It thereby possesses the

potential to challenge our 'background assumptions' (Goulder, 1971) by producing findings on different social contexts and cultural practices.

The second advantage of comparative analysis is undertaken to explain and understand differences. By examining different societies, we can ask why some have developed in similar ways and others in diverse ways. This adds to an understanding and explanation of the complicated relationship between economic, social and political systems. For instance, Esping-Andersen's (1990) study is centred on a belief 'that only comparative empirical research will adequately disclose the fundamental properties that unite or divide modern welfare states'.

The third advantage relates to an improvement in theoretical development resulting from the growth of comparative research. To allow for the possibility of diversity and similarity, comparative analysis considers both endogenous and exogenous factors. The former are those which are peculiar to the country which is being studied, while the latter are those elements, such as international capital, gender and race relations, which while influencing the country's social and political relations, are not simply peculiar to it.

The fourth advantage looks at the prediction of programme outcomes, which is enhanced by comparative work. According to this view, not only can the potential for the success of particular policies, systems or practices in a given society be understood, but also their outcomes can be predicted, once experiences of their effects in other societies and social and cultural contexts is examined.

Factors which researchers must take into consideration are:

Appropriateness requires feasibility, significance, and acceptability in each foreign culture as a necessary (but not sufficient) condition for insuring validity and successful completion of comparative studies, (Armer 1973).

Appropriateness refers to the methods employed and the conceptualisation of issues when undertaking comparative research. Researchers cannot assume that what is appropriate for their culture will necessarily be appropriate in another.

Equivalence is a related issue. This raises a particular problem in the use of surveys in cross-national research where meaning-equivalence is an important component of a questionnaire's validity (see Verba 1971; Scheuch 1990). Unless researchers have an understanding of the social context with which they are dealing, two samples, although random, may actually sample different age ranges or population characteristics, which are not comparable. This often results from indigenous factors, which the researcher either overlooked or is simply not aware of or sensitive to.

A second major methodological task in comparative research is to devise and select theoretical problems, conceptual schemes, samples, and measurement and analysis strategies that are comparable or equivalent across the societies involved in a particular study, (Armer 1973).

Language differences, even if researchers have a proficient understanding of a language, require a cultural understanding of words to allow for the equivalence of meaning. This becomes particularly important when dealing with dialects where the meaning of words varies or entirely different words may be employed in referring to the same phenomena.

The implication of comparative research ambivalence for individual researchers is that it requires an awareness of both its strength and limitations for effective practice. This means an understanding of different social contexts and cultures and the various issues which form part of the actual process of comparative research.

Choice of countries for comparison

The call for more comparative studies has its roots in very different kinds of forces. The major force is, of course, the growing internationalisation and the concomitant export and import of social, culture and economic manifestations across national borders.

Labour and people flow between countries, and the establishment of international organisations having no country as their natural base increases steadily. This globalisation trend has changed our cognitive map.

Comparative research may have to shift its emphasis from seeking uniformity among variety to studying the preservation of enclaves of uniqueness among growing homogeneity and uniformity, (Sztompha 1988).

This applies particularly to the study of property markets in various countries.

The need for more precise, reliable comparisons has become part of a political and economic reality which is a driving force behind the demand for more cross-national comparisons most of which apply to specific problems and are fairly limited in scope.

As already stated at the beginning of this section no social phenomena can be isolated and studied without comparing it to other social phenomena. Obviously to compare identical social phenomena is of little interest and to compare totally dissimilar ones would make little sense. Therefore, the range of targets could be chosen on the basis of which contrasts could be highlighted and differentiating factors could be singled out.

United Kingdom, Ireland and Australia happen to be countries in which I have a particular (special) interest, and to which because of language and other factors, I have especially easy access.

Also these countries have many similarities in their systems and structures. For example the Australian polity emerged from and was modelled after the British (Westminster) system. Over the years certain differences have emerged but the countries are as similar as two separate countries could be.

Of prime importance is the emigration trend experienced by Ireland and the UK. Ireland experienced mass emigration in the last century mainly to Britain, USA and Australia. On the other hand, Australia has experienced mass immigration from Britain, which seems to suggest that these countries have very strong links.

Also both Ireland and Australia were colonised by the British in historical times and this again would suggest that the countries are comparable due to the changes imposed by the British during their rule. Much of the legislation and traditions introduced by the British live on in both these countries.

The choice of these countries for comparison thus seems to be eminently suitable.

Qualitative Research

Currently, most analyses to determine levels and trends in house prices proceed on the demand and supply premise. On the demand side account is taken of many physical, locational and environmental factors for which it is perceived house buyers are willing to pay. On the supply side attention is given to land cost, building costs, profit and other charges. Very often a satisfactory answer does not emerge from this approach. A possible solution to this problem is that housing is a special commodity, the ownership of which induces the prospective purchaser to think of it in a special way.

The features, which make housing special, include the fact that:

- it is regarded as a long-term investment with sizeable but uncertain capital appreciation;
- it is generally bought out of borrowed funds from which the purchaser may or may not get the benefit of leverage or of income and capital gains tax concessions;
- it is a commodity which must satisfy family needs and not just the needs of one person; and
- it is the best sign of one's social, family and working status.

(Greaves, 1984).

These aspects contain qualitative factors, which make the decision to buy or not to buy difficult to evaluate quantitatively. A strictly quantitative evaluation is not often seriously pursued and housing is often seen as a commodity which must be acquired because it has become the general fashion to do so once the physical and psychological needs for it, including that of status, have been established (Greaves, 1984).

The demand function of prospective buyers includes many intangible and immeasurable psychological and qualitative factors, which are difficult to reflect in the normal demand and supply analysis.

In the case of housing, although we may know what factors determine its value, we are still not fully aware of why and how the consuming public reacts to these factors, bearing in mind that many factors fill a complex physical and psychological need.

Qualitative researchers:

- are concerned primarily with process, rather than outcomes or procedure.
- are interested in meaning - how people make sense of their lives, experiences, and their structures of the world.
- are the primary instrument for data collection and analysis. Data are mediated through this human instrument, rather than through inventories, questionnaires, or machines.
- physically go to the people, setting, site, or institution to observe or record behaviour in its natural setting.
- are interested in process, meaning, and understanding gained through words or pictures.
- build abstractions, concepts, hypothesis, and theories from detail.

Characteristics of qualitative research problems are: (a) the concept is “immature” due to a conspicuous lack of theory and previous research; (b) a notion that the available theory may be inaccurate, inappropriate, incorrect, or biased; (c) a need exists to explore and describe the phenomena and to develop theory; or (d) the nature of the phenomenon may not be suited to quantitative measures.

The case study and ethnography has been successfully applied to property investment and risk appraisal in particular. Turner (1995) developed the theory that the use of Environmental Management Systems (EMS) can assist in reducing property investment risk. He adopted a grounded theory approach based on the analysis of interviews and questionnaires. The analysis focused on a collection of semi-structured interviews that he conducted with environmental auditors, tenants of industrial properties, surveyors (UK parlance for appraisers), environmental lawyers, institutional investors and lenders.

The main focus of Turner's data collection was by face to face interview. Such an approach allows peoples' views to be probed for in-depth information (Fink & Kosecoff, 1985). Interviews allow the researcher to ask for explanations or clarification (ibid.). They also allow the researcher to provide information on the respondent's (interviewee's) reactions that may be incorporated into the analysis. Turner also incorporated some questionnaire analysis on the basis that, as this was the mode preferred by the potential respondent, such preferences would serve to enhance the quality and credibility of the response.

There is a risk that conclusions may fail to fit reality if behaviour is studied in a symbolically reduced manner. Such an approach would be the adoption of a 'yes' or 'no' questionnaire with associated statistical testing (Mills, 1959). A semi-structured interview approach gives direction to the interview to ensure that the content focuses on the crucial issues of the study (Burns, 1994, p.279). This approach allows greater flexibility than rigid (or closed) interview structures while ensuring an increased validity in the informant's perception of reality.

The semi-structured approach requires more skill in the analysis, notably coding of the data. Turner (1995) transcribed some 29 hours of tape-recorded interviews that needed coding. To give rigour to the coding and develop its validity, he used computer software analysis in "The Ethnograph™". It has become accepted that computer-aided analysis of qualitative data is the norm (Tesch, 1989; Miles & Huberman, 1994; and Weitzman & Miles, 1995). There are counter arguments (Horney, 1994) that computers do not actually save time because of the lead time to learn the program and the enticement to use features that may cloud rather than focus the research. The fact is that ultimately the learning curve is short, the outcome is more efficient and of higher quality for some total time investment (Weitzman & Miles, 1995, p.4).

Grounded Theory

Generating theory that is 'grounded' in interviews, observations or textual material is one important principle of qualitative research (Henwood and Pidgeon, 1995).

This is the ultimate goal of this research project: to build theory through the analysis of qualitative data which can then be applied to the wider residential property market. This seems a logical, achievable and worthwhile aim for this doctoral thesis.

It is important at this stage to indicate what is meant by grounded theory. As originally written the aim of such an approach was to build comprehensive theoretical systems from the data gathered during, for example, the interviewing process (ibid.). Since this qualitative data had been gathered in the real world, it would then be possible to develop theory from it which could then be tested on the wider area of study, perhaps using quantitative techniques (Strauss and Corbin, 1990). However, as Henwood and Pidgeon (1995) indicate, the use of grounded theory does not have to result in the building of a total theory. For example, they argue that it is a worthy aim of Doctoral Research to identify the relevant features of a corpus of data, and explore more fully the properties of a limited set of categories. It is considered more important to identify relevant key issues for further research, and examine some in more detail to provide guidance for this further research, than to develop a theory which purports to provide all the answers to the major questions of buyer behaviour and its effect on residential property valuations.

It is also important to reiterate that although the analysis of the results, and the theory which will subsequently be developed, will be heavily grounded in the interview data, the research is not conducted without due regard to external factors which may have influenced the attitudes of the interviewees. It is also considered important for the researcher to draw upon professional experience and a wider understanding of the residential property market - gained mainly from academic literature. This is considered by both Strauss and Hughes to be particularly important if the research is to generate new theory from qualitative research (Strauss, 1987) and (Hughes, 1993).

Supporting Software

Weitzman & Miles (1995) offer detailed reviews of the 24 leading qualitative analysis software packages. These programs can be broken into five groupings: text retrievers; textbase managers; code-and-retrieve programs; code-based theory-builders; and conceptual network builders. "The Ethnograph™" as adopted by Turner (1995) is

classed as a code-and-retrieve program. The group helps in dividing text into segments, coding and segments and then displaying the coded groupings. Development of theory is the purpose of all such qualitative research. What sets the code-based theory-builders apart is their ability to develop higher-order classification and categories, to formulate (or rather assist in the formulation of) propositions or assertions of conceptual structure and to test the propositions. Such tools allow for the depth of coding and enhanced theoretical sensitivity deemed fundamental to evolve of grounded theory (Strauss & Corbin, 1990).

No computer software will actually build theory, and nor should one want to abdicate such responsibility to a machine, even if such a facility was available. What the programs do is tender both support and powerful tools to ease the researcher's theory building and testing. Weitzman & Miles (1995) review five code-based theory-building packages, of which ATLAS/ti™ and NUD•IST™ offer the greatest flexibility.

Both ATLAS/ti™ and NUD•IST™ allow for extensive coding (indexing), filtering and memoing following grounded theory principles. The strength as a tool comes in the searching of data. In this area NUD•IST™ has the most extensive and powerful set of code-based retrieval operators available, (18) Boolean and beyond. The process allows "system closure" by which the analysis and codification become part of the data. Both allow theory building with associated graphical interpretation. The relative merit of the finer points of both programs is fully epoused in Weitzman & Miles (1995).

Conclusions

This paper discussed valuation methodology in the United Kingdom and outlined the reasons for further research into behaviouralism as related to the property industry.

Behavioural research has important implications both professionally and academically. Accuracy, and the level of service provided to clients, may improve

through identifying and examining the decision-making processes of purchasers of residential property.

The project of comparative analysis is worthwhile because in producing findings on the practices of other countries we are better able to see the basis of our own practices. This also allows us to reflect upon our own systems and ways of behaving.

The concept of this research is “immature” due to a lack of theory and previous research. It is anticipated that an improvement in theoretical development will result from the comparative research proposed by this study.

Without an understanding of consumer behaviour appraisers do not have systematic methods for identifying the different impacts of such forces across various market segments. To increase the reliability and sensitivity of the residential appraisal process, appraisers must develop greater understanding of what types of externalities affect specific real estate markets and to what extent prices are affected.

Due to the lack of systematic examination of which variables operate at the lower end of the market, as distinct from those influencing the value of higher priced property the attributes which new home buyers consider to impact upon value will be identified.

By examining the three countries and their individual systems, a wide range of attributes which consumers place value upon will emerge. Best practice recommendations can then be made which will benefit the valuation process in the countries studied.

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Buyer behaviour

Juelline Daly, David Jenkins and Stuart Gronow

making a valuation, valuers have to analyse and interpret the market. This process is supposedly aided by experience built up over a lifetime of professional activity.

In residential property valuation, the "40 man and boy" approach remains particularly evident despite suggestions over many years that statistical and computer-aided analysis should be undertaken. No matter what techniques a valuer may use, unless the same factors that purchasers perceive to be salient in making their decisions are taken into account, a valuation will be inaccurate.

In developing computer systems for valuation purposes, Almond et al (1995) state that rigorously establishing what the valuer does is crucial in developing such systems for the valuation process; without this knowledge, systems will be flawed. They also state that a particular set of attributes need to be identified and incorporated within a system to enable automation of the valuation process, including the ability to produce valuations based on the information provided from the transaction.

However, if valuers want to improve valuation accuracy levels, greater emphasis ought to be shown on the factors influencing the buyers' decision-making process. Increased accuracy in valuation can be obtained by

identifying explicitly those attributes which consumers consider will affect value.

Traditional analysis

One explanation for the lack of analysis in traditional valuation approaches (including that related to the purchaser) stems from the inefficiency in the housing market. The problem of inadequate data on comparable sales continues to undermine practice in the UK (Mackim, 1985; Wiltshaw, 1991). Inaccessibility of data is exacerbated by the lack of a central register of house prices (except Scotland). This is in stark contrast to North America, or European countries such as The Netherlands and Sweden, where the availability of good data has been assisted by the production of multiple listing services, market-price indices and computerised retrieval systems. Since there is no prescribed set of variables in the British context, the valuer is forced to rely on subjective judgement drawn from experience and knowledge of the local market.

Appraisers in the past have supposedly attempted to achieve objectivity by focusing on the average buyer's mentality. While it is an improvement over reliance on subjective criteria, this generalised approach lacks the precision gained by focusing on the most probable buyer for a particular property. Unless such perspectives are adopted, appraisals will reflect a normative position, drawing on generalised beliefs rather than on the relevant market's standards.

The real challenge to appraisers is to minimise the zone of uncertainty around the most probable price. Since these prices are set by market participants, appraisal

theoreticians would have to integrate a greater understanding of market pricing processes into appraisal theory and practices. Purely mathematical and statistical techniques are inadequate to value data appraisals. If appraisal is to emerge with a unified, fully formalised body of thought, then integration with behaviouralism is essential (DeLisle, 1995).

Evidence

Valuers are reluctant to explain how they analyse variables (Mackmin, 1985), and instead place emphasis on the importance of understanding the operation of the property market. Adair et al (1995) tested the hypothesis that valuers consider value elements in the same way as buyers. If this contention proved to be valid, then it would be reasonable to expect valuers to display a high degree of similarity of buyers in their consideration of the most salient influences.

The analysis undertaken re-enforces the argument that buyers and valuers perceive differently the relative importance of price/value influencing factors. It showed that there are statistically significant differences between buyers and valuers across most of the salient variables. The study suggests that there is a divergence between appraisal values and that of market transactions severe enough to question the contention that valuations are accurate to within 5% of transaction price. The analysis proposes instead that a 10% threshold is more applicable. The methodology used by Adair et al (1995) is based on a verbal unbalanced scaling technique to identify from a detailed listing of variables those factors which, in the opinion of buyers and valuers, have the greatest influence on property prices/values.

Methodology

The core methodology underpinning the measurement of buyer and valuer behaviour is the use of survey analysis: the technique employed comprises an assessment of the significant or "saliency" of variable. The general approach is that the variable with the highest mean score represent the most important influences.

Respondents are asked to state the relative influence of each variable on the residential choice decision over a range

VALUE ADDED



from "no influence" to "a very large influence". Analysis of the data is based on mean (average) scores, which are considered to provide better discrimination than the use of either the median (middle score) or the mode (most frequently occurring score). The scores are then used to rank the relative influence of each variable (Churchill, 1991).

Real value

The only real value of property is that which it holds for the purchaser - everything else derives from this. So it is equally clear that research work should begin, in all but the most specialised of circumstances, with the purchaser. This is true of any attempt at evaluating the future of a particular market or of analysing the prospects for development proposals.

The implications for valuation practice, however, could be profound, irrespective of whether comparable evidence, discounted cash flow or risk analysis is employed (Harris & Cundell, 1995).

Current research

Research currently being undertaken at the University of Glamorgan will focus particular attention on the behavioural concepts that affect the market's search and price-setting process. It will analyse the decision process from the consumer's viewpoint and define categorically the attributes which consumers place value on. The research will be conducted through a comparative study between Ireland, the UK and Australia. It is hoped that by examining the three countries and their individual systems, the wide range of attributes upon which consumers place value will emerge.

It should indicate how practitioners can increase precision, validity and reliability of individual appraisals by incorporating a behavioural perspective. For example, by being able to identify the most probable market segment for a particular property and then understanding how that market will select and price real estate offerings, appraisers will be able to select and adjust comparables in such a

manner that computer-based models will be more reliable than those that rely on purely mathematical or statistical bases (DeLisle, 1995).

The property industry is beginning to recognise the urgent need for research into consumerism. Until recently, there has been little published research available into buyer behaviour within the property market. In 1996, Savills published the results of the Survey of New Home Buyers and the Real Estate Institute of Queensland published a report entitled *What makes Buyers Tick?* The Australian research concentrates on marketing methods and the effectiveness of these marketing strategies, while the Savills report looks at what buyers want in new homes, which will be most helpful to developers of property and new houses. What the two reports have in common is that they both stress the need for further research into purchaser decision-making as related to the property industry. If valuers want to improve the quality of service they offer and maintain professional standing, they must adopt a behavioural perspective.

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